Annual Securities Report

(The 133rd fiscal year)

KROSAKI HARIMA CORPORATION

Contents

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[Document Submitted]	Annual Securities Report (“*Yukashoken Hokokusho*”)
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of Submission]	June 26, 2024
[Accounting Period]	The 133rd Fiscal Year (from April 1, 2023, to March 31, 2024)
[Company Name]	KROSAKI HARIMA Kabushiki Kaisha
[Company Name in English]	KROSAKI HARIMA CORPORATION (the “Company”)
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[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan) Securities Membership Corporation, Fukuoka Stock Exchange (2-14-2, Tenjin, Chuo-ku, Fukuoka City, Fukuoka, Japan)

Part I Information on the Company and its Group

I. Overview of the Group

1. Key Financial Data and Trends

(1) Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

Fiscal period	129th fiscal year	130th fiscal year	131st fiscal year	132nd fiscal year	133rd fiscal year
Period of account	March 2020	March 2021	March 2022	March 2023	March 2024
Net sales	137,395	113,661	133,778	165,202	177,029
Ordinary profit	9,764	6,361	8,679	12,083	16,389
Profit attributable to owners of parent	6,444	4,334	5,490	8,282	12,416
Comprehensive income	3,796	7,579	7,815	12,168	17,889
Net assets	57,233	63,288	69,084	77,858	92,697
Total assets	126,942	130,354	142,694	163,340	179,019
Net assets per share (Yen)	1,609.23	1,783.48	1,939.78	2,182.92	2,588.21
Basic earnings per share (Yen)	191.26	128.66	162.98	245.86	368.64
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	42.7	46.1	45.8	45.0	48.7
Return on equity (%)	12.0	7.6	8.8	11.9	15.5
Price earnings ratio (Times)	5.3	9.5	6.3	6.8	9.5
Net cash provided by (used in) operating activities	9,068	10,080	4,120	1,001	13,724
Net cash provided by (used in) investing activities	(7,044)	(4,946)	(3,608)	(4,514)	(3,589)
Net cash provided by (used in) financing activities	(3,475)	(3,608)	(1,022)	2,863	(6,237)
Cash and cash equivalents at end of period	3,785	5,301	5,012	4,425	8,483
Number of employees (Persons)	4,827 [2,218]	4,802 [2,637]	4,681 [2,756]	4,770 [2,959]	4,904 [2,642]

(Notes)
1. "Diluted earnings per share" are not shown for the 129th fiscal year through the 133rd fiscal year, since there were no dilutive shares.
2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) from the beginning of the 131st fiscal year. The key financial data, etc. for the 131st fiscal year and thereafter are presented after applying the said Accounting Standard.
3. Number of employees shows the number of full-time employees. The average number of temporary employees each year is stated separately in square brackets "[ ]" below the number of employees.
4. The Company conducted a 4-for-1 stock split of its common shares on April 1, 2024. The net assets per share and the basic earnings per share have been calculated based on the assumption that the stock split had been conducted at the beginning of the 129th fiscal year. In addition, the stock price at the end of the 133rd fiscal year is an ex-rights price. The price earnings ratio for the 133rd fiscal year has therefore been calculated by dividing the ex-rights price by basic earnings per share adjusted for the stock split.

(2) Financial data etc. of the Filing Company

(Millions of yen, unless otherwise stated)

Fiscal period	129th fiscal year	130th fiscal year	131st fiscal year	132nd fiscal year	133rd fiscal year
Period of account	March 2020	March 2021	March 2022	March 2023	March 2024
Net sales	96,013	80,429	90,097	100,357	107,349
Ordinary profit	6,855	5,909	5,753	6,591	9,612
Profit	5,048	4,616	5,972	5,223	8,329
Share capital	5,537	5,537	5,537	5,537	5,537
Total number of issued shares (Shares)	9,114,528	9,114,528	9,114,528	9,114,528	9,114,528
Net assets	50,139	54,414	58,504	63,625	68,796
Total assets	104,656	106,268	110,994	125,673	132,505
Net assets per share (Yen)	1,488.06	1,615.10	1,736.72	1,888.93	2,042.78
Dividends per share (Yen) [Of the above, interim dividends per share] (Yen)	220.00 [100.00]	150.00 [40.00]	200.00 [100.00]	290.00 [110.00]	400.00 [160.00]
Basic earnings per share (Yen)	149.80	137.03	177.29	155.06	247.32
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	47.9	51.2	52.7	50.6	51.9
Return on equity (%)	10.3	8.8	10.6	8.6	12.6
Price earnings ratio (Times)	6.8	8.9	5.8	10.7	14.2
Dividend payout ratio (%)	36.7	27.4	28.2	46.8	40.4
Number of employees (Persons)	1,471 [245]	1,526 [211]	2,362 [343]	2,402 [288]	2,468 [241]
Total shareholder return (%) (Comparison index: TOPIX total return index)	77.7 [90.5]	95.0 [128.6]	84.8 [131.2]	135.4 [138.8]	275.8 [196.2]
Highest share price (Yen)	6,730	5,210	5,330	7,070	3,685 [15,060]
Lowest share price (Yen)	3,660	2,769	3,755	3,910	3,355 [5,910]

(Notes)
1. "Diluted earnings per share" are not shown for the 128th fiscal year through the 132nd fiscal year, since there were no dilutive shares.
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3. Number of employees shows the number of full-time employees. The average number of temporary employees each year is stated separately in square brackets "[ ]" below the number of employees.
4. The Company conducted a 4-for-1 stock split of its common shares on April 1, 2024. The net assets per share and the basic earnings per share have been calculated based on the assumption that the stock split had been conducted at the beginning of the 129th fiscal year. In addition, the stock price

at the end of the 133rd fiscal year is an ex-rights price. The price earnings ratio for the 133rd fiscal year has therefore been calculated by dividing the ex-rights price by basic earnings per share adjusted for the stock split. The dividends per share are the dividends actually paid out before the stock split.

5. The highest and lowest share prices refer to those of the First Section of the Tokyo Stock Exchange on and before April 3, 2022, and the Prime Market of the same Exchange on and after April 4, 2022. The highest and lowest share prices for the 133rd fiscal year are those on or after the ex-rights date to the stock split, and the highest and lowest share prices before the ex-rights date are stated in square brackets "[ ]."

2. Corporate History

Year/Month		Corporate History
1918	Oct.	Founded KUROSAKI REFRACTORIES CO., LTD. for the manufacture and sales of firebricks.
1942	July	Merged with Oboshi Taika Renga Co., Ltd., and renamed the Oboshi Plant.
1944	June	Merged with Showa Taika Zairyo Co., Ltd.
1949	May	Listed on Tokyo Stock Exchange, Inc. and Osaka Securities Exchange Co., Ltd. (delisted from the Osaka Securities Exchange (presently Tokyo Stock Exchange) in December 2003).
1949	June	Listed on the Fukuoka Stock Exchange.
1953	June	Founded Krosaki Furnace Construction Co., Ltd. (previously Krosaki Furnace Corporation).
1956	Oct.	Capital participation from Yawata Iron & Steel Co., Ltd. (presently NIPPON STEEL CORPORATION).
1956	Oct.	Separated the Oboshi Plant, and founded Krosaki Furnace Materials Co., Ltd. (closed in March 2009, liquidation complete in October 2009).
1962	Apr.	Founded Krosaki Refractories Raw Materials Co., Ltd. (acquired by KROSAKI INDUSTRY CO., LTD. (presently the Company) in October 2003).
1972	Oct.	Founded KROSAKI INDUSTRY CO., LTD. (presently the Company).
1978	Apr.	Founded KROSAKI MACHINE INDUSTRIES CO., LTD. (presently the Company).
1985	Apr.	Established the Fine Ceramics Business Department (presently the Ceramics Business Division).
1986	May	Founded the Ceramics Development Center as a joint development project with Nippon Steel Corporation (presently NIPPON STEEL CORPORATION).
1989	Oct.	Acquired shares from the Spanish corporation ARISTEGUI MATERIAL REFRACTARIO, S. A., and made it the Company's subsidiary. Said subsidiary changed its name into AMR Refractarios, S. A. (presently Krosaki Amr Refractarios, S. A., a consolidated subsidiary).
1995	Mar.	Constructed a shopping center in Osaka prefecture, and made it available for rent in the next month.
1995	Dec.	Founded Wuxi Krosaki Sujia Refractories Co., Ltd. (presently a consolidated subsidiary) with Wuxi Sujia Magnesia-Carbon Bricks (presently Jiangsu Sujia Group) in China.
1999	Apr.	Merged with consolidated subsidiary Krosaki Furnace Corporation.
1999	Oct.	Signed a contract for the merger of the Company with Harima Ceramic Co., Ltd. (on April 1, 2000).
2000	Apr.	Merged with Harima Ceramic Co., Ltd. and changed its name into Krosaki Harima Corporation.
2002	May	Acquired shares from Kyushu Refractories Co., Ltd. (presently the Company) and made it the Company's consolidated subsidiary.
2002	Aug.	Founded Krosaki USA Inc. (presently a consolidated subsidiary) in the United States with ITOCHU CERATECH CORPORATION.
2003	Jan.	Founded Krosaki Harima (Shanghai) International Trading Co., Ltd. (presently Krosaki Harima (Shanghai) Enterprise Management Co., Ltd., a consolidated subsidiary).
2003	Oct.	KROSAKI INDUSTRY CO., LTD. (presently the Company) acquired Krosaki Refractories Raw Materials Co., Ltd., a consolidated subsidiary, and Krosaki Business Service Co., Ltd., a non-consolidated subsidiary accounted for using equity method.
2004	Jan.	Founded SN Refratecture Tokai Co., Ltd. (presently a consolidated subsidiary) with Toshiba Ceramics Co., Ltd. (presently CoorsTek KK), based on the alliance (agreed in December 2003) with said company to develop refractories for continuous casting of steel.
2005	Feb.	Founded K&K CORPORATION (presently the Company) with KIKUTAKE SANGYOU.
2007	Apr.	Acquired additional shares for SN Refratecture Tokai Co., Ltd., and made it the Company's consolidated subsidiary.
2007	July	As it was becoming a wholly-owned subsidiary of the Company through share exchange, Kyushu Refractories Co., Ltd. (presently the Company) was delisted from the Osaka Securities Exchange (presently Tokyo Stock Exchange).
2007	Aug.	Kyushu Refractories Co., Ltd. (presently the Company) became a wholly-owned subsidiary through share exchange.
2008	Apr.	Merged the non-consolidated subsidiary Kazusa Furnaces Co., Ltd.
2009	July	Acquired shares of Shin-Nikka Thermal Ceramics Corporation, and made it an equity method associate. The associate changed its name into Shin-Nippon Thermal Ceramics Corporation.
2009	Aug	Founded Krosakiharima Europe B. V. (presently a consolidated subsidiary) in the Netherlands.

2010	Jan.	Acquired additional shares for K&K CORPORATION (presently the Company), and made it the Company's wholly owned subsidiary.
2010	Apr.	K&K CORPORATION (presently the Company) merged its consolidated subsidiaries, KROSAKI MACHINE INDUSTRIES CO., LTD. and KROSAKI INDUSTRY CO., LTD. The surviving company, K&K CORPORATION, changed its name into KROSAKI HARIMA CERA CORPORATION (presently the Company).
2010	Apr.	Ended the Fine Ceramics business with NIPPON STEEL MATERIALS CO., LTD. (presently NIPPON STEEL Chemical & Material Co., Ltd.), and continued the business individually.
2010	Apr.	Krosaki USA Inc. (now a consolidated subsidiary) and Magnesita Refractories Co. co-founded the consolidated subsidiary Krosaki Magnesita Refractories LLC (closed in September 2018, liquidation completed in March 2019) in the United States.
2010	June	Made the non-consolidated subsidiary accounted for using equity method, Krosaki Harima (Shanghai) International Trading Co., Ltd., a consolidated subsidiary. The new consolidated subsidiary changed its name into Krosaki Harima (Shanghai) Enterprise Management Co., Ltd.
2011	Jan.	Kyushu Refractories Co., Ltd. (presently the Company) merged two of its non-consolidated subsidiaries, Kyutai Dentceram Co., Ltd. and Kyutai Trading Co., Ltd.
2011	Jan.	AMR Refractarios, S. A. changed its name into Krosaki Amr Refractarios, S. A. (presently a consolidated subsidiary).
2011	May	Acquired the shares of TATA REFRACTORIES LIMITED in India, and made it the Company's consolidated subsidiary. The new consolidated subsidiary changed its name into TRL KROSAKI REFRACTORIES LIMITED in June 2011.
2012	Jan.	Acquired all issued shares of Ariake Materials Co., Ltd. (presently the Company) and made it the Company's consolidated subsidiary.
2012	July	Merged the Company's consolidated subsidiary, Kyushu Refractories Co., Ltd.
2014	Oct.	KIKUTAKE SANGYOU has ceased to be an associate of the Company due to the change of all the shares owned by the Company to preferred shares with no voting rights. Therefore, KIKUTAKE SANGYOU was excluded from the scope of the equity-method treatment.
2015	Feb.	Acquired additional shares for Higashihama Sangyo Co., Ltd., originally an associate outside the scope of equity method, and made it a wholly owned non-consolidated subsidiary.
2015	Apr.	KROSAKI HARIMA CERA CORPORATION (presently the Company), a consolidated subsidiary, merged Higashihama Sangyo Co., Ltd., the Company's non-consolidated subsidiary.
2015	Apr.	Acquired additional shares for Chugoku Furnace Construction Co., Ltd., originally an associate outside the scope of equity method, and made it the Company's non-consolidated subsidiary. The new non-consolidated subsidiary changed its name into Krosaki Furnace Construction Co., Ltd. (presently a consolidated subsidiary).
2016	Apr.	Made Krosaki Furnace Construction Co., Ltd., a consolidated subsidiary.
2016	Dec.	Acquired shares of TRL ASIA PRIVATE LIMITED (which changed its name into TRL KROSAKI ASIA PRIVATE LIMITED in April 2017), a non-consolidated subsidiary (indirectly owned subsidiary), and made it a directly owned subsidiary. TRL ASIA PRIVATE LIMITED and its subsidiary TRL CHINA LIMITED (which changed its name into TRL KROSAKI CHINA LIMITED in March 2017) thereby became the Company's consolidated subsidiaries.
2016	Dec.	Qinhuangdao Shougang Krosaki Refractories Co., Ltd., an equity method associate founded jointly with the Shougang Group in January 2005, has ceased to be an associate of the Company due to the partial transfer of ownership interest of said company. Therefore, Qinhuangdao Shougang Krosaki Refractories Co., Ltd. was excluded from the scope of the equity-method treatment.
2017	Mar.	Acquired additional ownership interest of an associate outside the scope of equity method, Yingkou Kyushu Refractories Co., Ltd. (which changed its name into YINGKOU KROSAKIHARIMA REFRACTORIES CO., LTD. in March 2017), and made it an equity method associate.
2017	July	Changed IFGL Exports Ltd. (which changed its name into IFGL Refractories Limited in October 2017), which had been an associate outside the scope of equity method, to an equity method associate due to its increased significance.
2018	Nov.	Krosaki Amr Refractarios, S.A. (now a consolidated subsidiary) acquired all issued shares of Spain's Refractaria, S. A. As a result, Refractaria, S. A. became a consolidated subsidiary.
2018	Dec.	Acquired additional shares for TRL KROSAKI REFRACTORIES LIMITED (now a consolidated subsidiary).

2019	Mar.	Nippon Steel & Sumitomo Metal Corporation (presently NIPPON STEEL CORPORATION) became the parent company of the Company.
2021	Apr.	Merged the Company's consolidated subsidiary KROSAKI HARIMA CERA CORPORATION.
2021	Oct.	Merged the Company's consolidated subsidiary Ariake Materials Co., Ltd.
2022	Aug.	Excluded IFGL Refractories Limited, which had been an equity method associate, from the scope of the equity-method treatment because the Company's influence on it declined.

3. Description of Business

The business description of the Company, its 11 consolidated subsidiaries, and 2 entities accounted for using equity method (hereinafter the "Group"), and the positioning of Group companies and their relevant segments in the business are as follows:

Refractories (the manufacture and sales of refractories used by various kinds of industrial furnaces)

The Company manufactures and sells refractories.

SN Refratecture Tokai Co., Ltd. (consolidated subsidiary) manufactures refractories, which the Company purchases and sells to customers.

Wuxi Krosaki Sujia Refractories Co., Ltd. (consolidated subsidiary), TRL KROSAKI CHINA LIMITED (consolidated subsidiary) and YINGKOU KROSAKIHARIMA REFRACTORIES CO., LTD. (equity method associate) manufacture refractories in China and sell them in markets inside and outside China.

Krosaki Harima (Shanghai) Enterprise Management Co., Ltd. (consolidated subsidiary) manages companies invested in in China and sells refractories in markets inside and outside China.

Krosaki Amr Refractarios, S. A. (consolidated subsidiary) and Refractaria, S. A. (consolidated subsidiary) manufactures refractories in Spain and sells them in markets inside and outside Europe.

TRL KROSAKI REFRACTORIES LIMITED (consolidated subsidiary) manufactures refractories in India and sells them in markets inside and outside India.

Krosakiharima Europe B. V. (consolidated subsidiary), based in the Netherlands, manages business strategies related to its investees, and sells refractories in European markets.

Krosaki USA Inc. (consolidated subsidiary) sells refractories in the North American market.

TRL KROSAKI ASIA PRIVATE LIMITED (consolidated subsidiary), based in Singapore, manages business strategies related to its investees.

Furnace (the designing, construction, installation and repair of various kinds of furnaces)

The Company designs, constructs, installs and repairs various kinds of furnaces.

Krosaki Furnace Construction Co., Ltd. (consolidated subsidiary) undertakes construction of furnaces and processing of refractories.

Ceramics (the manufacture and sales of ceramics for various industries, and the sales of landscape materials)

The Company manufactures and sells ceramics, alongside selling landscape materials.

Shin-Nippon Thermal Ceramics Corporation (equity method associate) manufactures and sells ceramic fiber.

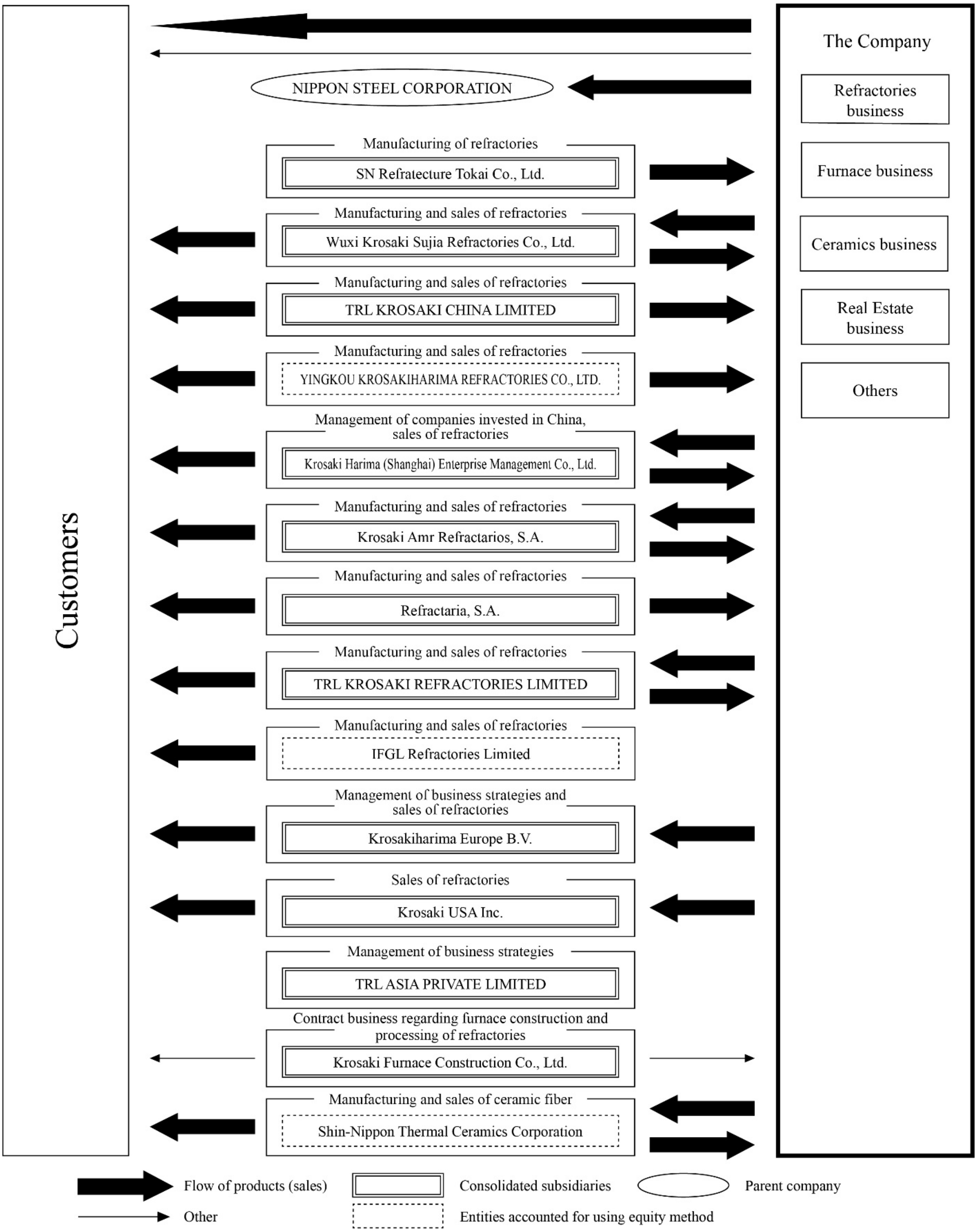
Real Estate (the rental of shops, warehouses, etc.)

The Company rents out shops, warehouses, etc.

Others (the manufacturing and sales of lime for steelworks)

The Company manufactures and sells lime for steelworks.

The above is explained in the organizational chart below.



(Note) In the above chart, flow of products (sales) among the Company’s consolidated subsidiaries and entities accounted for using equity method are included in flow of products (sales) towards the Company.

4. Information on Subsidiaries and Associates

Company name	Location	Paid in capital (Millions of yen unless otherwise stated)	Principal business	Ratio of voting rights holding (held) (%)	Relationship
(Consolidated subsidiary) SN Refratecture Tokai Co., Ltd.	Kariya City, Aichi	75	Refractories	65.0	2 employees of the Company are dispatched to the subsidiary as officers. 2 employees of the Company concurrently serve as officers of the subsidiary. The products of the subsidiary are sold by the Company's Sales Department.
Krosaki Furnace Construction Co., Ltd.	Yahatanishi-ku, Kitakyushu City, Fukuoka	10	Furnace	51.0	1 officer and 3 employees of the Company concurrently serve as officers of the subsidiary
Krosaki Amr Refractarios, S. A.	Guipuzkoa, Spain	(Thousand Euros) 4,597	Refractories	100.0 (100.0)	1 employee of the Company is dispatched to the subsidiary as an officer. 2 employees of the Company concurrently serve as officers of the subsidiary.
Wuxi Krosaki Sujia Refractories Co., Ltd.	Jiangsu Province, China	(Thousand USD) 14,196	Refractories	68.0	1 employee of the Company is dispatched to the subsidiary as an officer. 2 employees of the Company concurrently serve as officers of the subsidiary.
Krosaki USA Inc.	Indiana, USA	(Thousand USD) 400	Refractories	100.0	1 employee of the Company is dispatched to the subsidiary as an officer. 2 employees of the Company concurrently serve as officers of the subsidiary.
Krosaki Harima (Shanghai) Enterprise Management Co., Ltd.	Shanghai City, China	(Thousand USD) 2,400	Refractories	100.0	1 employee of the Company is dispatched to the subsidiary as an officer. 3 employees of the Company concurrently serve as officers of the subsidiary.
Krosakiharima Europe B. V.	Velsen-noord, The Netherlands	(Thousand Euros) 500	Refractories	100.0	3 employees of the Company concurrently serve as officers of the subsidiary.
TRL KROSAKI REFRACTORIES LIMITED	Odisha, India	(Thousand Indian Rupees) 209,000	Refractories	77.62	1 officer and 3 employees of the Company concurrently serve as officers of the subsidiary.
TRL KROSAKI ASIA PRIVATE LIMITED	Singapore	(Thousand Singapore Dollars) 12,993	Refractories	97.0 (37.0)	1 officer of the Company concurrently serves as officer of the subsidiary.
TRL KROSAKI CHINA LIMITED	Liaoning Province, China	(Thousand USD) 8,200	Refractories	100.0 (100.0)	1 officer and 2 employees of the Company concurrently serve as officers of the subsidiary.
Refractaria, S. A	Asturias, Spain	(Thousand Euros) 657	Refractories	100.0 (100.0)	3 employees of the Company concurrently serve as officers of the subsidiary.
(Equity method associate) Shin-Nippon Thermal Ceramics Corporation	Sakai-ku, Sakai City, Osaka	490	Ceramics	50.0	1 employee of the Company is dispatched to the associate as an officer. 3 employees of the Company concurrently serve as officers of the associate.
YINGKOU KROSAKIHARIMA REFRACTORIES CO., LTD.	Liaoning Province, China	(Thousand Chinese yuan) 36,500	Refractories	49.0	1 officer and 2 employees of the Company concurrently serve as officers of the associate.
(Parent company) NIPPON STEEL CORPORATION	Chiyoda-ku, Tokyo	419,799	Steelworks, others	Voting rights held 47.0 (0.0)	1 employee of this company concurrently serves as an officer of the Company.

(Notes)

1. Name of business segments of consolidated subsidiaries and entities accounted for using equity method in the box of "Principal business" are the same as those stated in the segment information.
2. The ratio of voting rights holding (held) indirectly is shown in parentheses "( )" in the boxes "Ratio of voting rights holding (held)."
3. Krosaki Amr Refractarios S. A., Wuxi Krosaki Sujia Refractories Co., Ltd., Krosaki Harima (Shanghai) Enterprise Management Co., Ltd., TRL ASIA PRIVATE LIMITED, and TRL KROSAKI CHINA LIMITED are specified subsidiaries of the Company.
4. None of the above companies, with the exception of NIPPON STEEL CORPORATION, file Securities Registration Statements or Securities Reports.
5. TRL KROSAKI REFRACTORIES LIMITED's net sales (excluding inter-segment net sales among consolidated subsidiaries) accounted for more than 10% of the total consolidated net sales.

Key profit/loss information:

(a) Net sales	¥43,623 million
(b) Ordinary profit	¥4,536 million
(c) Profit	¥4,131 million
(d) Net assets	¥16,371 million
(e) Total assets	¥28,165 million

5. Employees

(1) Consolidated Companies

As of March 31, 2024

Name of business segment	Number of employees (Persons)
Refractories	3,697 (2,488)
Furnace	666 (55)
Ceramics	227 (37)
Others	－ (－)
Company-wide (shared)	314 (62)
Total	4,904 (2,642)

(Notes) 1. Number of employees shows the number of full-time employees. The average number of temporary employees each year is shown separately in parentheses “( )” next to the number of employees.
2. Temporary employees include fixed-term and part-time employees, but exclude dispatched employees.
3. For companies that end their fiscal years in December, number of employees is as of December 31, 2023.

(2) The Filing Company

As of March 31, 2024

Number of employees	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
2,468 (241)	42.0	12.8	6,009

Name of business segment	Number of employees (Persons)
Refractories	1,338 (110)
Furnace	589 (32)
Ceramics	227 (37)
Others	－ (－)
Company-wide (shared)	314 (62)
Total	2,468 (241)

(Notes) 1. Number of employees shows the number of full-time employees. The average number of temporary employees each year is shown separately in parentheses “( )” next to the number of employees.
2. Temporary employees include fixed-term and part-time employees, but exclude dispatched employees.
3. Average annual salary includes bonuses and non-standard wages.

(3) Status of labor union

The labor union of the Company, named the Krosaki Harima Union, belongs to the All Japan Federation of Ceramics Industry Workers. The labor union of the Company had 1,621 members as of March 31, 2024.

Among the Company’s consolidated subsidiaries, Krosaki Amr Refractarios, S. A., TRL KROSAKI REFRACTORIES LIMITED, and Refractaria, S. A. have labor unions.

SN Refratecture Tokai Co., Ltd., Krosaki Furnace Construction Co., Ltd., Wuxi Krosaki Sujia Refractories Co., Ltd., Krosaki USA Inc., Krosaki Harima (Shanghai) Enterprise Management Co., Ltd., Krosakiharima Europe B. V., TRL KROSAKI ASIA PRIVATE LIMITED, and TRL KROSAKI CHINA LIMITED do not have labor unions.

There are no special issues concerning the relationship between the Group and its labor unions.

(4) Diversity metrics

1) The Filing Company

Fiscal year ended March 31, 2024						Supplementary explanation
Percentage of women in managerial positions (%) (Note 1)	Percentage of men who have taken childcare leave (%) (Note 1)	Percentage of men who have taken childcare leave and other childcare related time off (%) (Note 2)	Gender wage gap (%) (Note 1)			
			All workers	Regular workers	Part-time and fixed-term workers	
3.3	Regular employees: 34.7	104.2	72.2	79.0	48.4	<Regular workers> Uniform standards are applied to both men and women, regardless of gender. The gender wage gap arises from the fact that the ratio of women in managerial positions is low partly due to the small number of female workers among all workers; and that there are differences in the amount earned of special wages such as shift allowances and night work allowances because few women work on shifts in manufacturing operations. We will continue to systematically promote the hiring of women and apply the same standards to men and women regardless of gender in all situations, including appointment to managerial positions. <Part-time and fixed-time workers> The gender wage gap arises mainly from the fact that there are few women who are re-employed contract employees (including managerial staff), who earn relatively high wages, and that there are a large number of women who are part-time employees.

(Notes) 1. Calculated based on the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of September 4, 2015; the "Women's Promotion Act").

2. Calculated the percentage of childcare leave and other childcare related time off taken defined in Article 71-4, item (ii) of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of October 15, 1991) based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of May 15, 1991; the "Childcare Leave Act").

2) Consolidated subsidiaries

Information is omitted as domestic consolidated subsidiaries all have less than 100 employees, and there are no consolidated subsidiaries that are subject to disclosure based on the provisions of the Women's Promotion Act and the Childcare Leave Act.

II. Business Overview

1. Management Policies, Business Environment and Issues to be Addressed, etc.

Forward-looking statements contained in this document are based on judgments of the Group that were made as of the end of the fiscal year ended March 31, 2024 (the "current fiscal year" or "FY2023").

(1) Basic management policy of the Company

The Group, under its mission, is committed to playing an important role in global industrial development, and to making contributions to the prosperity of society by providing high-value products and technology for the ceramics industry worldwide through continuous innovation. We aim to be a trusted enterprise by providing the best quality as well as the most reliable products to our customers under our goal to "Provide No. 1 Value to Customers Worldwide."

We also make every effort to increase shareholders' profit by pursuing all activities which will maximize the business value.

(2) Targeted financial data, medium- to long-term management strategies of, and issues to be addressed by the Company

1) 2025 Revised Management Plan (from FY2021 to FY2025)

Looking ahead to medium- to long-term economic and social conditions, the Group has formulated and is working on the Management Plan with the five-year implementation period until the fiscal year ending March 31, 2026. Under the Plan, the Group aims to be "a world-class comprehensive ceramics company that is a leading value provider to steel and other industries."

"2025 Management Plan" announced in 2021 was achieved ahead of schedule.

We formulated "2025 Management Plan" (the "Initial Plan") in 2021, and have implemented it with the aim of becoming "a world-class comprehensive ceramics company that is a leading value provider to steel and other industries." As a result, we have achieved the financial targets of the Initial Plan ahead of schedule, in the financial performance of the second year of implementation in FY 2022 (exceeded in net sales and ordinary profit).

	Initial Plan (FY2025)	FY2022 Results
Consolidated net sales	¥150.0 billion	¥165.20 billion
Consolidated ordinary profit	¥12.0 billion	¥12.08 billion
ROS	8.0%	7.3%

Taking into account the changes in the market environment, the Management Plan has been updated with the aim of further growth.

We have revised the Management Plan (announced on July 28, 2023) while keeping its implementation period until the fiscal year ending March 31, 2026 unchanged, in consideration of changes in the economic and social situation surrounding the Group, including the achievement the Initial Plan ahead of schedule, soaring global raw material prices, and a decrease in crude steel production by major Japanese and overseas customers as well as with a view to further growth in the future market environment.

< Future expectations for the market environment>

- Demand expansion for high-performance and high-value-added refractories reflecting the de-carbonization needs of the steel manufacturing process
- Continuous growth in steel demand in India and Southeast Asia
- Demand expansion in the non-ferrous field in Europe, North Africa, the Middle East, and elsewhere
- Demand expansion in the fields of semiconductor manufacturing equipment, electronic components, and fuel cells

Revision to the "2025 Management Plan"

(Continuous promotion of contribution to the further growth and the realization of a sustainable society)

In the “2025 Revised Management Plan,” the Group has set new financial targets and capital investment plan aimed at further profit growth.

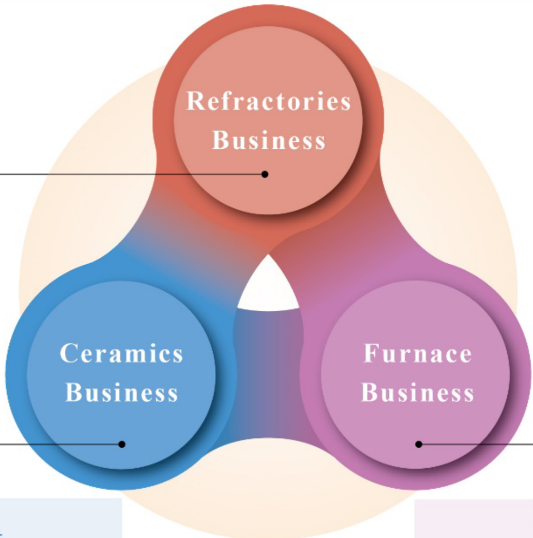
- Targets for FY2025: Consolidated net sales: ¥180.0 billion
  Consolidated ordinary profit: ¥15.0 billion
  ROS: 8.3% or more
  ROIC: 9.0% or more
- To drive growth primarily in its overseas business and ceramics business, the Group now plans to spend a total of ¥35.0 billion on capital investments, an increase of ¥15.0 billion, in the five-year implementation period of the management plan.

Business strategies to support the 2025 Revised Management Plan

We accelerate various initiatives for profit growth, such as promoting global strategies leveraging the strengths of the Group, implementing proactive investment in growth areas, etc.

Enhancement of profitability and competitiveness in the Refractories Business

- Establishment of a high-profit structure by expanding sales of high-value-added products that contribute to maximizing customer value
- Thorough cost reduction, promoting development based on customer trends toward carbon neutrality, and reinforcing R&D capabilities from a global perspective
- Business expansion including the non-ferrous field through strengthening group cooperation, collaborations with partner companies and deepening partnerships, focusing on primarily overseas growth markets



Profitability enhancement of the Ceramics Business

- Enhancement of quality and production technology capabilities to respond to mass production orders from growth fields
- Timely execution of capacity expansion investment and early realization of investment benefits

Profitability improvement of the Furnace Business

- Steadily securing orders for large-scale construction projects and strengthening the foundations of steelmaking and coking facilities maintenance work
- Sales expansion through enhanced proposal to customers in Japan and overseas, including in the non-ferrous field, by leveraging the technological capabilities of integrating products and construction services

Strengthening of the entire company’s business foundation and contribution to the creation of a sustainable society

- Stable implementation of various measures based on Sustainability Activity Basic Policy , including carbon neutrality initiatives
- Deepening of safety, environment, disaster-prevention, and internal controls activities
- Development and recruitment enhancement of global talent, and promotion of human capital strengthening measures
- Promotion and acceleration of Digital Transformation (DX) towards a productivity improvement

In addition, we aim for further corporate growth by deepening our commitment to the SDGs and continuous efforts toward carbon neutrality. We strive to achieve the new financial targets and continue to contribute to the realization of a sustainable society.

2) Progress of the 2025 Revised Management Plan

Domestic crude steel production in FY2023 was slow to recover. While demand for steel products for automobile production was on a recovery trend attributable to the easing of semiconductor shortage, demand for steel products for construction decreased due to the labor shortage as well as weak exports affected by the economic downturn in the Chinese real estate market. Global crude steel production remained unchanged overall, with solid increases in crude steel production in some countries, including India, offset by declines caused by the sluggish Chinese economy and the slowing economies in Europe and the United States. The business environment surrounding the Company has continued to present an upward trend in costs due to various factors, including the trend in crude steel production, soaring raw materials and energy prices as a result of the rapid depreciation of the yen, and recent rises in logistics costs.

Under such circumstances, during the fiscal year ended March 31, 2024, which is the third year of implementation of the Management Plan, we sought to strengthen our earnings base by making self-help efforts for cost reduction, such as improving productivity and yields, as well as steadily passing the increases in raw materials and other supply chain costs on to selling prices primarily in the Refractories Business, expanding our business in the Indian steel market, and expanding sales to non-ferrous fields in Europe and other regions.

In particular, with regard to overseas business expansion, which is one of the most important issues in our growth strategy, we strived to further deepen our collaboration with Group companies and partner companies. In the growing Indian market, we further increased competitiveness by making the most of the full-range production/sales capabilities established by our subsidiary TRL KROSAKI REFRACTORIES LIMITED and made active capital investment. We also collaborated with ArcelorMittal Refractories to securely capture demand in the European market and promoted technology licensing to and sales partnership with a Brazilian refractories manufacturer IBAR. These measures proved successful, and the ratio of overseas sales to total sales in the fiscal year ended March 31, 2024 marked a record high of 45.6%, and the overseas business contributed significantly to both sales and profit.

As a result of the above efforts, the results for the fiscal year ended March 31, 2024 included net sales of ¥177.02 billion, ordinary profit of ¥16.38 billion, ROS of 9.3%, and ROIC of 9.7%. Both sales and profit exceeded the historical highs recorded in FY2022. We also exceeded three targets, except for net sales, set forth in the 2025 Revised Management Plan partly due to non-operating foreign exchange gains in response to the rapid depreciation of the yen.

In addition, in an effort toward the realization of a sustainable society, including carbon neutrality, we newly established a Sustainability Promotion Department as a dedicated organization in April 2024 in order to strengthen the functions to further promote activities in the future, as well as steadily promoting various measures to achieve results.

With the aim of achieving all financial targets, including net sales, and contributing to the realization of a sustainable society, we will continue to accelerate our efforts, including pressing ahead with global strategies that leverage our strengths and making active investment in growing fields. We will also work diligently to steadily implement the various measures outlined in the 2025 Revised Management Plan.

	2025 Revised Management Plan	FY2023 Results
Consolidated net sales	¥180.0 billion	¥177.02 billion
Consolidated ordinary profit	¥15.0 billion	¥16.38 billion
ROS	8.3%	9.3%
ROIC	9.0%	9.7%

2. Policies and Initiatives for Sustainability

The Group's policies and initiatives for sustainability are as follows.

Forward-looking statements contained in this document are based on judgments of the Group that were made as of the end of the current fiscal year.

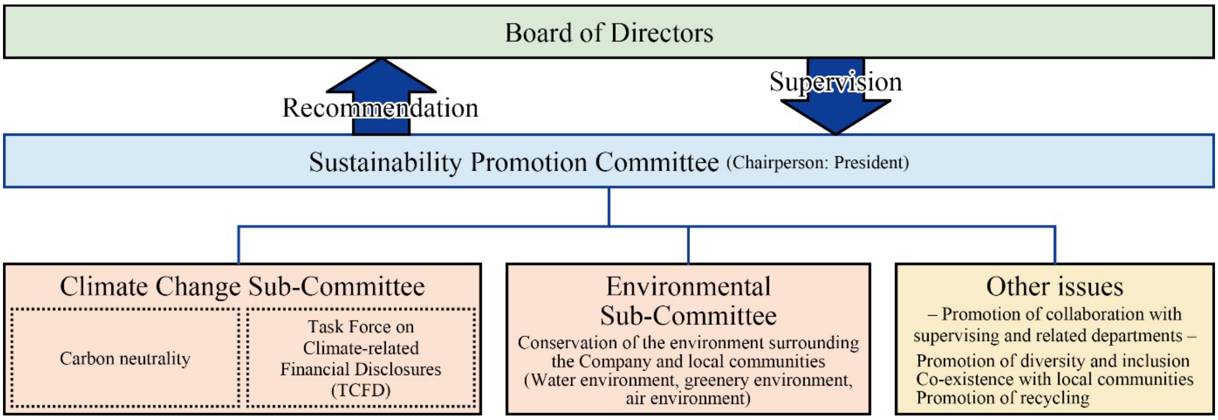
In the Group's Mission Statement, which expresses its corporate philosophy, we defined our Mission as playing an important role in global industrial development and making contributions to the prosperity of society by providing high-value products and technology for the ceramics industry worldwide through continuous innovation. In addition, the Group laid down its attitude toward various stakeholders, such as customers, employees, partner enterprises, local communities, the global environment, and shareholders, as its Management Policy.

Based on the idea embedded in the Mission Statement, the Group will continue to actively work to realize a sustainable society through its technologies and business activities.

(1) Initiatives related to sustainability

1) Governance

The Group recognizes that sustainability issues are important management issues and has established the Sustainability Promotion Committee, which is chaired by the President, as an advisory body to the Board of Directors for the purpose of deliberating on and steadily implementing the Basic Policy on Sustainability Activities. The Committee formulates policies and action plans regarding the Company's sustainability issues and initiatives, deliberates and reports on progress monitoring, rollouts of initiatives, and gives its recommendations to the Board of Directors. The Committee meets twice a year, in principle, and whenever necessary. A Climate Change Sub-Committee and an Environmental Sub-Committee are established under the Committee to investigate and examine, as well as deliberate and report on priority issues.



With the aim of realizing a sustainable society, the Group is actively addressing environmental and other social issues as an inseparable part of the continuity of its business activities. In order to strengthen the function to further promote activities in the future, the Group newly established a Sustainability Promotion Department under the Corporate Planning Department on April 1, 2024.

2) Strategy

In an effort to realize a sustainable society, the Group has extracted issues and identified material issues (“materiality”) that should be addressed from the viewpoints of environment, society, and governance as follows.

≪Examination process for sorting out sustainability issues≫

Internal analysis on sustainability

○The Company’s self-analysis
· Listed out sustainability-related issues recognized within the Company
→ A working group extracted a total of 54 items.

Analysis of requests from stakeholders

○Benchmark survey
· Studied sustainability issues faced by competitors
· Confirmed what customers request to suppliers
○Survey by external institutions
· Confirmed priority issues by sector raised by SASB (ESG disclosure framework) and S&P (majorrating agency)

1. Specified material issues

○Specified 14 items as material issues (“materiality”) in pursuing sustainability.

2. Created a sustainability map (identified priority issues)

○Examined the significance of the 14 sustainability issues from the viewpoints of both stakeholders and the Company.
○Identified five of the significant issues as those to be addressed with priority.

3. Formulated policies for working on priority sustainability issues

○Sorted out current initiatives, future initiatives, and quantitative and qualitative targets (KPIs) for priority sustainability issues.

≪List of sustainability issues≫

Environment	1. Implement climate change measures through heat management technology 2. Conserve the local environment (water environment, greenery environment, air pollution) 3. Promote recycling 4. Comply with chemical substances regulations
Society	5. Promote diversity and inclusion 6. Co-exist with local communities 7. Ensure stable supply to customers 8. Thoroughly protect human rights 9. Develop human resources 10. Enhance the working environment 11. Thoroughly control quality 12. Ensure occupational safety
Governance	13. Thoroughly enforce compliance 14. Enhance corporate governance

≪Positioning of priority issues≫

Plans and progress regarding priority issues are given special attention and reported to the Sustainability Promotion Committee. In light of the changes in the environment surrounding the Group, the Sustainability Promotion Committee held in May 2024 discussed and determined that the following three items should be added as priority issues and recommended it to the meeting of the Board of Directors held in May 2024. The following items will be examined, reported, and implemented in the future.

a) Thoroughly protect human rights
Formulate the Group's human rights policy and future action plans
b) Develop human resources
Recognize strengthening human capital management, including the promotion of Diversity & Inclusion (D&I), as a priority issue and promote the efforts toward D&I and the enhancement of the activities to develop and acquire human resources
c) Ensure stable supply to customers
Promote the optimization of supply chain management to ensure stable supply to customers as it is gaining importance against the backdrop of increasing geopolitical risks, declining birthrates, aging populations, and work style reforms in the logistics sector

"Co-exist with local communities," which the Group is currently working on as a priority issue, will transition from a priority issue to a fundamental issue as it has taken root as a regular activity in the Ceramics Business Division and the General Administration Department.

3) Risk management

In order to promptly and appropriately address risks that may hinder the Group's business operations, the Group assesses, manages, and formulates and implements measures for company-wide risks in the Management Council and the Internal Control Committee, which is chaired by the President.

In addition, the Sustainability Promotion Committee plans and deliberates on priority measures and policies related to material issues, sustainability, and ESG, which relates to the whole Group. The Committee implements the measures and policies across the Group, monitors the progress thereof, and gives reports to the Board of Directors in order to strengthen risk management throughout the Group.

The Group's risk management initiatives are presented in "II. Business Overview, 3. Business and Other Risks."

4) Metrics and targets

Initiatives related to the Group's material issues of priority and their progress in the current fiscal year are as follows.

<<Details of initiatives for priority issues>>

- **Implement climate change measures through heat management technology**

Item	Quantitative and qualitative targets (KPIs)	Progress made in FY2023	Future initiatives
1) The company's own initiatives to achieve carbon neutrality			
• Establish reduction targets for CO_2 emissions and examine measures	<Scope 1 and 2 (non-consolidated)> • 2013: 169,000 t • 2030: 85,000 t (50% reduction from 2013) • 2050: effectively carbon neutral	• CO_2 emissions in FY2023 (Scope 1 and 2 (non-consolidated)): 167,000 t • Compared to FY2013, emissions declined by 1.3%. • Combining the core businesses (Refractories, Furnace, and Ceramics Businesses), a 19.6% reduction in CO_2 emissions and a 10.3% reduction in the basic unit of CO_2 emissions were achieved. The Group has announced its withdrawal from the lime business at around the end of March 2025. • CO_2 emissions were reduced by decreasing electricity consumption through the introduction of energy-saving equipment and reducing fuel consumption through various measures.	• Promote Scope 1 and 2 emissions reduction • Improve the accuracy of Scope 3 emissions measurement and promote reduction • Set CO_2 emissions reduction targets and promote reduction in collaboration with subsidiaries and affiliates both in Japan and overseas • Introduction of high-performance tools to measure CO_2 emissions • Obtain third-party assurance for the disclosure of CO_2 emissions • Measure and set targets for GHG emissions across the entire supply chain

Item		Quantitative and qualitative targets (KPIs)	Progress made in FY2023	Future initiatives
2) Contribution to customers’ efforts to reduce CO_2 emissions				
• Implement the following initiatives in each business:		-	• Promoted the development of environmentally friendly products and expanded their applications. • Promoted the identification of differentiated products and systematically redefined the value of services based on their contributions to the environment.	• Contribute to the reduction of CO_2 emissions by customers through their use of the Company’s products • Further contribute to the creation of a decarbonized society through the promotion and popularization of high value-added products branded for their contributions to the environment
[Refractories]	• Develop high-durability and high-performance refractories	(TBD based on future analysis)	• Expanded applications of no-need-to-dry refractories and non-preheating refractories. • Expanded applications of high-durability non-fired bricks. • Promoted turning fired bricks into non-fired bricks.	• Continue to expand applications of no-need-to-dry refractories and non-preheating refractories • Expand applications of high-durability non-fired bricks • Continue to promote turning fired bricks into non-fired bricks
[Furnace]	• Design energy-saving industrial furnaces, install low thermal conductivity refractories, and take orders from customers in environmental fields, including biomass power generation • Expand applications of the KSB construction method to increase energy efficiency in reheating furnaces		-	• Design energy-saving industrial furnaces and install low thermal conductivity refractories • Take more orders from customers in environmental fields, including biomass power generation
[Ceramics]	• Offer high-insulation ceramics to fields, such as energy-saving, environment, electronics, medical, aerospace, etc.	• Mounted on the final product of a leading-edge semiconductor mass production equipment (2025) • Mounted on the final product of an energy-saving semiconductor manufacturing equipment at mass production stage (timing TBD)	• Expanded sales of high-performance insulation materials for fuel cells. • Promoted the expansion of sales by developing and manufacturing high-performance insulation materials with even lower thermal conductivity.	• Expand applications of insulation materials and fine ceramics to fields related to fuel cells, power generation, steel, and industrial furnaces • Contribute to reduction of CO_2 emissions in manufacturing processes and by equipment using semiconductors through developing and adopting lightweight setters for high-speed condenser firing furnaces

Item	Quantitative and qualitative targets (KPIs)	Progress made in FY2023	Future initiatives
3) Response to the new steelmaking process			
• Reduce the volume of the products used (products with higher durability, recyclable products)	-	• Investigated and understood the amount and the pattern of damage to various materials in an H2 atmosphere to prepare for hydrogen reduction steelmaking.	• Research and develop refractories that will support the COURSE50 process ✓ Mounted on the final product at a COURSE50 commercialization stage (2025-30) ✓ Mounted on the final product at a COURSE50 diffusion stage (by 2050)
4) Promotion of investment for reducing CO_2 emissions			
• Introduce evaluation that incentivizes CO_2 reduction in the economic evaluation of capital investment	-	• Promoted fuel conversion and introduced high-efficiency equipment throughout the Company. • Supported overseas subsidiaries and affiliates in promoting fuel conversion. • Examined the introduction of renewable energy.	• Continue to evaluate incentives for CO_2 reduction

- **Promote diversity & inclusion**

Item	Quantitative and qualitative targets (KPIs)	Progress made in FY2023	Future initiatives
• Promote the active involvement of women, foreigners, and others	• Set targets for the following items and disclose them separately ✓ Ratio of female workers hired for career-track positions ✓ Ratio of female managers ✓ Total actual working hours annually ✓ Number of days of annual leave taken ✓ Indicators related to employee health management, etc.	• Details are presented in "(3) Initiatives related to human capital."	• Promote diversity & inclusion as a global company in which employees from all over the world thrive

- **Conserve the local environment (water environment, greenery environment, air pollution)**

Item	Quantitative and qualitative targets (KPIs)	Progress made in FY2023	Future initiatives
1) Mitigating the impact of industrial waste disposal on living organisms			
• Dispose of waste in compliance with waste standards • Promote the recycling of fine ceramics waste, in addition to waste refractories and sludge	• Reduce the basic unit by 1% from the weighted average basic unit for industrial waste for the last three years	• Exceeded the target by 15%.	• Continue to reduce the volume of refractories by promoting recycling and improving yields
2) Strict management of wastewater treatment in the production process			
• Clean wastewater from the plants in water treatment facilities and reuse it in the manufacturing process to conserve water and discharge wastewater in environmentally friendly ways	• Reduce water usage by 1% from the average water usage for the last five years (target for FY2024)	• Added a statement to our Environmental Policy that we will promote activities to preserve the bounty of our water resources and encouraged the reduction of water usage.	• Measures to reduce water usage through the use of water-saving devices and equipment and the increased use of groundwater and rainwater
3) Preventing spills of hazardous substances outside the plant premises			
• Strengthen management, conduct monitoring and spill drills	-	• Assessed the risk of the leakage from storage tanks of chemical substances and hazardous materials, and fully equipped the facilities with oil containment walls and liquid containment walls.	• Promote replacement with human-friendly chemical substances
4) Preventing above-limit emissions of smoke and soot due to abnormal combustion			
• Establish voluntary standards stricter than the public standards and conduct monitoring	-	• Established voluntary standards and continued trend management. Search is underway for optimal combustion conditions, with energy-saving taken into account.	• Continue monitoring based on the voluntary standards • Promote detoxification by changing fuels

- **Co-exist with local communities**

Item	Quantitative and qualitative targets (KPIs)	Progress made in FY2023	Future initiatives
1) Contribution to the development of comfortable cities			
• Build station plazas and parks decorated with recycled bricks and landscape bricks	-	• Delivered recycled bricks and landscape materials to landmark facilities, passenger terminals, boardwalks, and public facilities, etc. in City of Kitakyushu and various other regions in Kyushu.	• Create comfortable cities using landscape bricks • Contribute to the creation of comfortable cities for everyone to live in through proactive participation in various fields, such as local environment and revitalization
2) Development of human resources (regions) of the next generation that will drive business activities			
• Participate in local events and cleanup activities and collaborate with local communities through the activities of the track and field club • Promote local hiring	-	• Continued support through the acquisition of a naming right for a public regional sport facility and sponsorships to local events. In addition, supported post-earthquake reconstruction efforts through donations to the people and businesses affected by the Noto Peninsula earthquake. • Cooperated with the local government of the region in which the Company is based by posting articles on their recruitment website. • Collaborated and fostered a sense of unity with local communities through the activities of the track and field club (participated in local running workshops, won its second victory in a row at the Kyushu Industrial Teams Mainichi Ekiden (marathon relay race), won the 4th place in the New Year Ekiden, etc.).	• Contribute to the development of human resources of the next generation that will support the future of the region • Share the value that the Company offers to society and convey it to the next generation • Contribute to the development of human resources with healthy minds through the promotion of sports

- **Promote recycling**

Item	Quantitative and qualitative targets (KPIs)	Progress made in FY2023	Future initiatives
○ **Promoting utilization of recycled raw materials and product recycling technologies in the manufacturing of various refractories, landscape bricks, etc.**			
• Increase the use of used refractories as recycled raw materials	-	• In order to utilize processed powder and other industrial wastes generated by our operations as recycled raw materials, established a process and promoted their use as raw materials of our products.	• Promote initiatives other than existing joint efforts with customers to use recycled raw materials • Enhance collection and dissemination of information on recycled raw materials that can be purchased from outside the Company, including imports • Procured products often specify a mix of virgin raw materials only. Confirm if it is possible to include recycled raw materials in the mix specification
• Furnace Business: Reduce industrial waste through undertaking contract work of pulverization, magnetic separation, sizing, and weighing, and promote and implement recycling of refractories	-	• Started contract work for new customers and established a recycling method that utilizes existing routes to promote the reduction of industrial waste and the recycling of refractories.	• Take even more orders for contract work
• Ceramics Business: Expand the use of recycled raw materials in bricks, tiles, etc. used as landscape materials	-	• Established a group of products 60% or more of whose ingredients are recycled raw materials (urban waste and industrial waste) and expanded their applications.	• Develop new products that will contribute to the realization of a circular society and the development of comfortable cities

(2) Initiatives related to climate change

Disclosure of information related to climate change in line with the TCFD recommendations

The Group has endorsed the TCFD recommendations (participated in the TCFD Consortium). In addition, in May 2022, the Group disclosed information related to climate change based on the TCFD recommendations, clarified risks and opportunities arising from climate change, and formulated measures to reduce the risks and seize the opportunities.

To be specific, given that the 1.5°C target has become the global mainstream, we have focused on the Stated Policies Scenario (STEPS) and Net Zero Emissions by 2050 (NZE) scenarios presented in the World Energy Outlook 2022 issued by the International Energy Agency (IEA) for transition risks. For physical risks, we referred to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) for future projections issued by governments and international organizations based on RCP8.5 and RCP2.6. We have based our analysis on two scenarios, 1.5°C/below 2°C and 4°C scenarios, performed analysis again from both qualitative and quantitative perspectives as shown in the table below, and examined measures to be taken.

Under the 1.5°C/below 2°C scenario, the introduction of carbon taxes, which may be imposed in the process of transitioning to a decarbonized society, will have a significant impact. We believe that it is important to minimize risks by reducing Scope 1 and 2 emissions of the Group. We also understand that promoting measures to reduce CO_2 emissions of the entire supply chain (Scope 3) is an issue for the future. On the other hand, the tightening of regulations is expected to raise the sales of our products that can contribute to a decarbonized society.

Under the 4°C scenario, the impact of intensifying extreme weather will be significant. In order to reduce risks, we will continue to enhance infrastructure to prepare for disasters.

Based on the recognition of the above issues, in the fiscal year ended March 31, 2024, the Group discussed the introduction of new calculation tools that are capable of promptly measuring and managing Scope 3 emissions and the acquisition of third-party assurance for the disclosure of CO_2 emissions in an effort to surely measure CO_2 emissions, including Scope 1, 2, and 3, and take measures to reduce them. In addition, in response to the growing demand for environmentally friendly products, the Group has focused on developing high-performance, high-value-added products that will be able to contribute to the realization of a decarbonized society. At the same time, to further expand its contributions to society, the Group has strengthened its branding efforts to highlight the value generated by contributions to the environment.

Impact ↑ > ↑ ↓ > ↓

Scenario	Factor	Change	Risk/ Opportunity	Impact	Impact on the Company	Measures taken by the Company	Current initiatives
1.5°C / 2°C	Increase in social demand for CO_2 reduction (Refractories field)	Increase in demand for environmentally friendly refractories	Opportunity	↑	• Demand is expected to increase for unfired refractories and monolithic refractories, which emit less CO_2 during manufacturing processes	• Work to improve the performance of unfired products and monolithic products and expand their applications according to the environment of customers and actively offer environmentally friendly refractories • Promoting branding Dry-Free® and other high-quality products with an emphasis on the value of their contributions to the environment	· Manufacturing some of the fired bricks using unfired processes and adopting ther in real furnaces · Developing and expanding sales of no-need-to-dry and monolithic materials · Developing functional materials that do not requir preheating and adopting them in real furnaces · Further improving the properties of and expanding the applications for high-durability non-fired brick · Expanding sales and spreading the use of differentiated products through branding effort for high-value-added products focused on their contributions to the environment
		Increase in demand for refractories compatible with new steelmaking methods	Opportunity	↑	• Demand is expected to increase for refractories in new facilities with the spread of new steelmaking methods, represented by the hydrogen reduction steelmaking method	• Establish evaluation techniques and develop appropriate materials suitable for the new steelmaking methods to support their commercialization	· Investigating changes in the properties anc structures of refractories caused by firing in a hydrogen atmosphere · Joint research underway with users and third-party institutions
		Increase in demand for refractories for electric furnaces	Opportunity	↑	• Demand is expected to increase for refractories that can be used in the process of the production of high-grade steel in electric furnaces	• Work to provide comprehensive solutions for the production of high-grade steel in electric furnaces and develop appropriate materials necessary	· Materials that we had proposed are being evaluated in a real electric furnace of the direct reduced iron plant · Sending engineers to the users and accumulating expertise in the design of electric furnaces, technologies related to their operation, and technologies related to the adoption of their material
		Increase in demand for decarbonization of manufacturing processes	Risk	↓	• Capital investment may become necessary in connection with the introduction of energy-saving equipment	• Work to reduce CO_2 emissions from operations by modifying product specifications and introducing energy-saving and high-productivity furnaces and equipment	Saving energy and reducing CO_2 emissions by shortening or omitting manufacturing processes optimizing drying and firing conditions, updatin and consolidating production facilities, replacin them with high-efficiency equipment, and switching to LED lighting
	Increase in social demand for CO_2 reduction (Furnace/ ceramics field)	Increase in demand for energy-saving power generation equipment	Opportunity	↑	• Orders are expected to increase for products to be used in energy-saving power generation equipment	• Expand the furnace business by developing materials and manufacturing methods together and strengthening sales activities	Continuing to take orders and expand sales activities for boilers for power generation, including biomass power generation.
		Increase in demand for environmentally friendly ceramics products	Opportunity	↑	• Demand is expected to increase for insulation materials for household fuel cells and high-function insulation materials for large storage batteries	• Work to enhance the production system and develop products • Promoting branding KROTECT® and other high-quality products with an emphasis on the value of their contributions to the environment	· Continuing manufacture and delivery of insulation materials for household fuel cells. Developing high-performance insulation materials and further expanding their applications and sales in response to the needs for smaller sizes and higher efficiency · Expanding sales and spreading the use of differentiated products through branding efforts for high-value-added products focused on their contributions to the environment
		Increase in demand for ceramics related to EV	Opportunity	↑	• Demand for ceramics products may increase due to an increase in demand for EVs.	• Work to enhance the production system and develop products	Building systems for and promoting the development and production of nano-insulation materials for lithium-ion batteries (LIBs)
	Impact of the introduction of carbon pricing	Increase in operating and procurement costs	Risk	↓	• Many raw materials for refractories emit CO_2 during their manufacturing processes. Therefore, if suppliers pass the cost on prices, the impact will be huge. • The cost may also be incurred by the Company for its operations	• Reduce costs and consider passing the costs to prices, depending on the situation • Implement various reduction measures steadily	· Increasing accuracy in calculating CO_2 emissions in Category 1 of Scope 3 (purchased goods and services) and promoting reduction in emissions · Formulating a purchasing policy that takes into account CO_2 emissions · Planning the introduction of high-perfor-mance tools to calculate CO_2 emissions an supply chain management · Implementing measures to achieve targets t reduce CO_2 emissions by 50% in FY2030. · Considering formulating CO_2 emissions reduction plans for 2030 and 2050 for the entire KROSAKI HARIMA Group
4°C	Natural disasters (acute)	Risk of damage to the Company and its supply chain	Risk	↓	• Procurement of raw materials and the Company's facilities may be affected depending on the frequency and the scale of the disaster	• Continue to develop infrastructure to prepare for disasters, although the degree of expected damage and its probability are low considering the location of the Company • Diversify the sources of procurement	Investigating and estimating disaster risks for respective plants and offices and planning and implementing measures. Securing alternative suppliers for target rav materials and establishing technologies needed for using alternative raw materials as BCP measures.
		Increase in demand for satellite-related products due to increased frequency of natural disasters observed	Opportunity	↑	• Demand is expected to increase for ceramics products used for earth observation satellites, including meteorological satellites	• Consider product development and capital investment according to customer needs	· Cultivating the market for small satellites, which are expected to be mass-produced i the future, and developing technologies fo supplying components to the market for large satellites.

(3) Initiatives related to human capital

1) Diversity & inclusion (D&I)

Guided by its Mission Statement and other principles, the Company has established a company policy and management targets for the promotion of Diversity & Inclusion (D&I) initiatives as follows with the aim of creating an environment in which diverse employees can maintain and demonstrate high productivity over a long period of time and work with pride and satisfaction.

a) Policy for D&I initiatives

The Company respects the character of each and every employee and hopes to create a climate that welcomes individuality through collaboration among employees in daily work and dialogue activities in the workplace to generate and offer rich values. Respect for all human rights is the basis of corporate activities, and the Company seeks to eliminate unfair discrimination based on nationality, race, religion, ideology or belief, gender, age, sexual orientation, or disabilities.

The Company strives for Diversity & Inclusion based on the recognition that, as the environment surrounding the Company changes, in order to support the development of the industry, contribute to the prosperity of society, and continue to grow with the aim of being "one of the world's leading comprehensive ceramics companies that support the steel and other industries" now and in the future, it is important for the employees of the Company to mutually accept diverse values, demonstrate their ability to the fullest to increase productivity, and work with pride and satisfaction.

b) D&I priority initiatives

The Company has formulated D&I priority initiatives as follows and established management targets and metrics as presented below.

i)	Promotion of active participation by women:	Take advantage of employee diversity (related to diversity)
ii)	Working styles & resting styles:	Work to increase employee productivity (related to work style reforms)
iii)	Health promotion:	Work to increase employee productivity (related to work style reform)
iv)	Creating employee-friendly workplaces and management systems:	Prevent harassment and improve work morals

i) Promotion of active participation by women

Vision	• We will build on the existing systems so that women will be able to fully demonstrate their abilities in accordance with their life stage until retirement. At the same time, we will increase the opportunities for women to play an active role in all workplaces and ranks, by such means as appointing them to executive positions and expanding the scope of their duties.
Targets	• By 2025, we will increase the ratio of women in new graduates hired for office-based career-track positions to 20% or more, and by 2030, to 30% or more. • In 2030, we aim to increase the ratio of women in managerial positions to at least 1.5 times the current level (19 women, or 2.9%, as of November 2021), and then double or triple it soon thereafter.
Specific measures	• On the premise that selection for employment is made based on personality and abilities, we will increase the number of women hired for office-based career-track positions. As for technical workers and furnace construction technical workers, we will consider the trends in the number of workers in Japan in the future, identify workplaces suitable for women's labor, and employ as many women as possible. At the same time, we will work to increase the appointment of women in all positions, including appointment to managerial positions. • We will revise pay and work systems to accommodate women according to their life events, such as marriage, pregnancy, childbirth, and childcare. • Women in career-track positions will be assigned to various departments depending on their abilities and aptitude. We will consider offering training, etc. at the time of the assignments for workplaces which will have female workers for the first time.
FY2023 results	• New hires to join the Group in FY2024: Ratio of women in new graduates hired for office-based career-track positions: 29.41% (FY2023: 7.69%) • FY2023: Raito of women in managerial positions: 3.25% (FY2022: 3.23%)

ii) Working styles & resting styles

Vision	• We aim to encourage our diverse employees to make the most of their potential efficiently over the long term by enabling them to pursue working styles that will bring the greatest results, unconstrained by the length of working hours or location, with consideration for their personal circumstances.
Targets	• Reduce the average total actual working hours annually to a level below 2,000 hours/year company wide by 2030. • Halve the incidence of long working hours (80 hours/month or more outside regular working hours) by 2025 compared to FY2020, and reduce it to zero by 2030. • Annual paid leave take-up rate of 15 days/year among all employees by 2025 • Revise systems to make it easier for male employees expecting newborns to take childcare leave or parenting leave, and encourage all eligible employees to take leave or time off work by 2025.
Specific measures	(1) Working styles • We aim to eliminate long working hours and facilitate flexible and efficient working styles through the utilization of teleworking and flex-time and by promoting DX. • Management-level employees will maximize the results they achieve by working as efficiently as possible, without falling into the habit of long working hours. • Supervisors will direct the performance of duties of staff members to achieve results in a limited amount of time, under the thorough management of working hours. (2) Resting styles • We will encourage employees to take annual paid leave systematically based on their personal convenience. • We will encourage male employees with young children to take childcare leave and parenting leave. We will also provide information from the human resources department, implement education and training to enhance working environment, and revise systems to facilitate this.
FY2023 results	• Total actual working hours annually: 2,067 (FY2022: 2,076) • Employees working long hours: 178 (FY2022: 255) • Average number of days of annual leave taken: 15.4 days/person (FY2022: 13.3 days/person) • Revised systems to reduce workload of and improve compensation for transferred employees. • Awareness-raising activities related to childcare leave for male workers and leave for parenting and other purposes (see "Employees" for the proportions of leave taken) • Conducted analyses of operations with the aim of promoting the reduction of long working hours and the improvements of operations and reduced the average overtime hours, particularly in departments with long overtime hours.

iii) Health promotion

Vision	• For our diverse employees to make the most of their potential efficiently over the long term, it is vital that they stay in good health. We will therefore establish a culture where employees and the company work together for health promotion.
Targets	• Aim for the following levels of cancer screening uptake rate by 2025 (management level employees are to take the lead in undergoing screening wherever possible). 1) Colorectal cancer screening (age 35 and above): 90% 2) Gastric cancer screening (age 35 and above): 70% (once every 2 years) 3) Breast cancer screening (women): 80% 4) Uterine cancer screening (women): 70% • Double at least the implementation rate of specific health guidance by the Krosaki Harima Health Insurance Association by 2025 compared to the result in 2021.
Specific measures	• Engage in measures to raise the health screening uptake rate to contribute to the early detection and treatment of cancer, boost the implementation of specific health guidance based on the health screening results, and encourage employees to actively try to improve their own health. • Establish and encourage employees to use the Krosaki Harima Health Insurance Association's Krosaki Harima Family Health Consultation, Best Doctors Service, and Mental Health Counseling, where expert external staff accept inquiries via the telephone, etc. regarding employees' concerns or issues relating to their own mental or physical health or that of a family member.
FY2023 results	• FY2023: Cancer screening uptake rate (tentative figures based on the February 2024 data) (FY2022 results are shown in parentheses) 1) Colorectal cancer screening: 90% (90%) 2) Gastric cancer screening: 44% (47%) 3) Breast cancer screening: 77% (78%) 4) Uterine cancer screening: 57% (65%) • FY2023: Implementation rate of specific health guidance: 80.0% (FY2022: 69.4%)

iv) Creating employee-friendly workplaces and management systems

Vision	• We will create workplaces where our diverse employees can work diligently at their duties with pride and a sense of worth, together with supervisors, colleagues, and subordinates. To facilitate this, we will ensure that all employees comply with laws and regulations and can naturally speak and act with consideration for others.
Specific measures	1) Dialogue activities in the workplace • Based on the belief that the basic of an easy-to-work workplace is to create a culture where each employee can openly and honestly communicate with their superiors, colleagues, and subordinates, considering each other's feelings, without any hidden agenda, we continue and promote dialogue activities in the workplace. 2) Preventing harassment • We have established a "Harassment Prevention Code" and set up a consultation and reporting desk to thoroughly keep each workplace from various forms of harassment. While carefully paying attention to the protection of whistleblowers, we handle the cases that have been recognized by investigations strictly in accordance with Employment Regulations, etc. • In addition, in order to prevent harassment in advance, we conduct education for officers and managers, such as e-learning to raise awareness, anger management training, and harassment prevention program in internal stratified education, so that everyone from newcomers to managers can repeatedly learn about harassment. 3) Implementation of training to properly manage the workplace and provide guidance and coaching to subordinates • To build a comfortable workplace, it is necessary for the manager of each workplace to properly guide each subordinate. Therefore, in stratified education, it is necessary to establish a mechanism to enhance the management skills, such as recognizing the position and role as a manager/supervisor, the way of leadership required, advice to subordinates, and coaching methods.
FY2023 results	• Continued and followed up on dialogue activities at each workplace. Also performed activities to give guidance to administrators and improve the workplace through face-to-face feedback to employees on the results of the employee awareness survey and stress check. • Started conducting an engagement survey in FY2023 to enhance productivity and job satisfaction of employees (identifying issues and considering countermeasures). • Continued offering a D&I lecture as part of internal employee training.

2) Human resource development

The Group is working to upgrade its human resource development and competence development to constantly promote the enhancement of human capital management.

The Group's human resource development and skill development are carried out with the aim of developing human resources who can contribute to the achievement of its business goal, i.e., to "Provide No. 1 value to customers worldwide," which is set forth in its Mission Statement. In order to facilitate prompt acquisition of required abilities, knowledge, and work attitudes, the Group provides education and training as follows.

■ Overview of education and training

General type	Specific type	Overview
Stratified education	-	Education and training to acquire the knowledge, skills, and attitude required in each position at each level
Departmental education	Department-specific education	Education and training to acquire the specialized knowledge, skills, and attitude required in each department
	OJT	On-the-job direction by supervisors of the knowledge, skills, and attitude required to perform duties, pivoting on the management by objectives system
	Self-education	Employees' autonomous abilities development activities, such as acquiring qualifications, techniques, and skills that are recognized by a first-line supervisor to be beneficial for the performance of duties at the Company and are supported by the Company
	Language education	Education in foreign languages required to perform duties in the relevant department
Companywide education	General education	Education and training to acquire the general and specialized knowledge, skills, and attitude required to perform duties
	Study elsewhere in Japan	Providing opportunities for employees wishing to acquire bachelor's or associate degrees to pursue further education required for the performance of duties
	External and overseas training	Dispatch of employees to university research bodies in Japan and overseas as required for the performance of duties, to acquire and enhance advanced techniques, absorb a broad range of specialized knowledge, and expand their technical horizons
	Overseas talent development dispatch	Dispatch of trainees to overseas Group companies for the purpose of developing human resources capable of contributing to the expansion of overseas sales and promoting collaboration between the Company and overseas Group companies
	Language education	Employees wishing to improve their own level of foreign language proficiency may apply for and receive education recommended by the Company

■ Initiatives to address challenges

■ The Group is constantly engaged in issues-conscious human resources development to nurture personnel adapted to increasing diversity and other changes in the social environment.

Specific challenges/ Hunan resources and skills development		Initiatives taken ★ **Matters that will be newly implemented or whose content will be revised in FY2024**
Early deployment in the workforce	• Early deployment of new employees (clerical staff) in the workforce	• Brought forward the official assignment of new employees to departments (on July 1 in their first year) <since FY2021>
	• Early deployment of mid-career hires Have them understand the Company's structures and systems, corporate philosophy, and operating procedures at an early stage	• Implemented training for mid-career hires <sinceFY2017>
Embed the corporate philosophy	• Ensure the Company's fundamental philosophy, the Mission Statement (MS) thoroughly penetrates the workforce	• MS re-penetration activities <since FY2018, through measures such as inclusion in stratified education> MS education for management-level employees <since FY2018> Expanded MS education to technical and general foreman-level employees <since FY2021>
Develop subordinate management skills	• Enhance the management abilities of management-level employees	• Managerial mind training aimed at revitalizing workplaces <since FY2018> • New department and division manager training aimed at enhancing the operational management abilities of department and division managers (including the delegation of duties to subordinates) <since FY2023>
	• Enhance the administrative capabilities of supervisors of technical employees and furnace construction technical workers	• Examinations for potential technical general foremen and foremen <since FY2021> • Revised the content of technical education: added education concerning how products are used, product quality, and report writing for positions where these are required <since FY2021>
Acquire knowledge and technical skills	• Acquire skills required for regular tasks and general and essential knowledge	• Opened and expanded Krosaki Harima College[*1] <since FY2014> ★ Expand the content offered at the College and offer special lectures by officers • Resumed the program to visit clients' plants <FY2023> More clients' plants to welcome visitors <FY2024>
	• Acquire knowledge to prepare for Digital Transformation (DX)	• Training on the operation of basic digital software <since FY2020> • Introduction of tools to help employees acquire basic knowledge on digital technologies and other general knowledge[*2] <since FY2022> ★ Plan to enhance training on digital technologies: include it in stratified education <FY2024>
	• Enhance training for officers	★Schedule new training sessions for officers <FY2024>
Measures to prevent harassment	• Various measures to raise awareness aimed at preventing harassment	• Training aimed at preventing harassment Anger management training <since FY2021 for office-based employees and since FY2022 for technical employees> ★Plan to enhance training to raise awareness for harassment prevention <FY2024>
Overseas business	• Language education for overseas business and collaboration with overseas subsidiaries and affiliates	• Expanded eligibility for overseas talent development dispatch and the TOEIC exam (including mid-career hires) Language education <online English conversation classes: since FY2021> • Collaboration with overseas Group companies (sharing information on employee education and training, etc.) • Organized the content of introductory education for employees starting work overseas <since FY2022>
Employee retention	• Goal of reducing the number of young employees resigning: raise awareness of the merits of working for the Company	• Lectures on life planning as part of new employee training <since FY2017> • Newly established a defined contribution benefits course within Krosaki Harima College <as appropriate since FY2018> • Internal seminars on life planning <as appropriate since FY2019>

Specific challenges/ Hunan resources and skills development		Initiatives taken ★ **Matters that will be newly implemented or whose content will be revised in FY2024**
Specific challenges	• Raise awareness to promote diversity (develop a deeper understanding among employees and their supervisors, especially of women and people with disabilities: cultivate a mindset to accept diversity)	• Training designed to encourage understanding of diversity (among both supervisors and their subordinates) <within Krosaki Harima College since FY2022>

*1 For the purpose of passing down the basic expertise that is essential at the Company and acquiring business knowledge, such as finance, legal affairs, and labor management, the Company has made the Krosaki Harima College, an in-house training platform, available to office-based employees. In FY2023, the Company offered 32 courses, attended by a cumulative total of 1,098 employees.

*2 From October 2022, as a tool to acquire knowledge on digital technologies, the Company has introduced a program for managers at and above the group leader level and DX promoters in various departments to take online video training (in FY2023, the program was made available to all office-based employees).

In addition, the courses available in the above training include not only content related to digital technologies, but also general knowledge and topics related to newly recognized social issues, and are made available as needed. The Company is thus working to develop human resources who can respond immediately to various changes in the social environment.

3. Business and Other Risks

Of the matters related to the status of business, accounting, and other information stated in this annual securities report, management recognizes that the following matters may have a material impact on the financial condition, results of operations, and cash flows of consolidated companies.

Forward-looking statements contained in this document are based on judgments of the Group that were made as of the submission date of this annual securities report (June 26, 2024).

<<Risks related to the business environment>>

1) Economic trends

The Refractories and Furnace segments are largely influenced by the crude steel production volume of the steel industry. Accordingly, the reduction in crude steel production volume in Japan and overseas due to the uncertainty of global political and economic trends could have a significant adverse effect on the Group's business performance, etc.

The Ceramics segment mainly engages in manufacturing products for the semiconductor manufacturing equipment industry and the electronic components industry. Accordingly, capital investment trends in each industry and market trends could have an adverse effect on the Group's business performance, etc.

In light of this risk, we will strengthen our profitability by optimizing our production, maintenance, and construction systems (through means such as establishing flexible production, maintenance, and construction systems).

2) Country risk

The Group operates globally. China is above all important as a procurement base for the purchase of raw materials, procured goods, etc. for refractories.

Any restrictions, policy changes, disruption, etc. in China could have an adverse effect on the Group's business performance, etc.

In addition, the Company includes TRL KROSAKI REFRACTORIES LIMITED (India) in the scope of consolidation as a consolidated subsidiary, with sales of ¥43.6 billion (fiscal year ended March 31, 2024).

In case its operations are disrupted due to any restrictions, policy changes, confusion, etc., in India, the resulting circumstances could have an adverse effect on the Group's business performance, etc.

3) Fluctuations in foreign currency exchange rates

The Group operates globally. In preparing the consolidated financial statements of the Group, local currency denominated items, including sales, expenses, and assets in the respective countries and regions around the world, are converted into Japanese yen. The converted values of these items may vary depending on the exchange rates in effect at the time of conversion.

As for the Group, with the total amount of imports currently higher than that of exports, the appreciation of the yen against other currencies favorably affects the Group's business performance, etc. In contrast, depreciation of the yen adversely affects the Group's business performance, etc.

In light of this risk, we hedge foreign currency exchange fluctuation risk by using forward foreign exchange contracts based on certain rules for certain foreign currency-denominated trade receivables and payables. As for the foreign currency exchange fluctuation risk that we were unable to hedge, we persistently negotiate with customers to pass the impact on to selling prices.

<<Risks associated with business activities>>

4) Relationship with specific business partners

NIPPON STEEL CORPORATION is one of the Group's principal business partners on an ongoing basis, and the Group also has transactions with NIPPON STEEL's group companies. The ratio of the Group's sales to NIPPON STEEL group companies is approximately 42.4% (on a consolidated basis, fiscal year ended March 31, 2024).

Accordingly, the trends of the steelmaking segment of the NIPPON STEEL Group and the trading conditions with any of its group companies could have a significant adverse effect on the Group's business performance, etc.

In light of this risk, we will aggressively promote global development by expanding sales in growth markets such as India and increasing our share of target customers in the mature markets of Europe and the U.S., in addition to specific business partners. Furthermore, in addition to the Refractories and Furnace segments, we will focus on the Ceramics segment, which is expected to grow as a business field in the future.

5) Sustainability issues

Recently, various climate disasters have occurred in Japan and overseas, and efforts to address climate change have become a global social issue. In addition, issues such as resource depletion and human rights violations have come to people's attention, amid growing emphasis on sustainability-related issues. Failure to properly address these sustainability issues could result in the suspension of transactions with customers, administrative penalties, and a decline in corporate credibility and brand value.

In light of such risks, in December 2021, we set 14 material issues ("materiality") that are important for the business activities of the Group and declared them as our basic policy on sustainability. In addition, we have established the Sustainability Promotion Committee as an advisory body to the Board of Directors for the purpose of deliberating on and steadily enforcing the basic policy on sustainability. We will continue to appropriately manage sustainability issues and press forward with our initiatives for the 14 material issues, thereby further deepening our sustainability management.

6) Occurrence of information security incidents

The Group conducts business activities using computer systems and communication networks that connect them in various scenes. In addition, working remotely from home has become prevalent due to diversified workstyles. Under such circumstances, unauthorized access to the Company's network, data corruption, data tampering, or exposure of confidential information of the Company and our business partners incidental to cyberattacks may cause the Group a loss of social confidence and a severe adverse impact on its business performance, etc.

In light of such risks, we have enhanced and continued the monitoring of unauthorized access from the outside of the Group through our membership in NSG-CSIRT (the Nippon Steel Group's Computer Security Incident Response Team). The Group aims to improve awareness of information management across the Group through means such as providing e-learning programs on information security and conducting training on how to deal with targeted emails without previous notice. We strive to enhance security through those measures.

7) Fluctuation in raw material prices

The Group imports raw materials and procured goods for refractories from overseas in great quantities. In addition, as liquefied natural gas (LNG) and heavy oil are used as fuels for firing at some manufacturing processes of refractories, a rise in LNG prices and crude oil prices could result in higher manufacturing and transportation costs and a price hike in purchased products.

Prolonged increases in raw material prices, procurement prices, LNG prices, and crude oil prices could have an adverse effect on the Group's business performance, etc.

In light of this risk, we are persistently negotiating with customers to transfer costs to selling prices and are also diversifying our procurement sources.

8) Relationships with alliance partners

The Group is promoting its global business by carrying out and reinforcing mutual alliances with leading refractory manufacturers in the target countries through measures such as technology alliances, capital tie-ups, etc. under the basic strategy of providing products and technologies in major steel markets in the world.

In case the anticipated synergies cannot be achieved, or if the alliance relationship is terminated due to whatever reason, the Group will be forced to review the strategy and the initially anticipated business development could be adversely affected.

9) Securing and developing human resources

Amid the acceleration of the decline in the birthrate and the aging of the population in Japan, securing and developing human resources, which form the core of the business, and strengthening human capital management, which allows each individual to demonstrate their ability to the fullest with vitality, are critical issues for the development of the business in the future. However, failure to continuously hire and retain talented human resources could have a significant adverse effect on the Group's business performance, etc.

In light of this risk, the Group is working to improve compensation packages, including health and welfare benefits, enhance the working environment, increase employee health, promote active participation by women, and strengthen recruitment activities with the aim of acquiring talented human resources. In addition, the Group is making efforts, such as promoting language education to meet the need of its expanding global business, providing IT literacy training, and encouraging obtaining certificates and qualifications.

<<Other uncontrollable and unforeseeable risks>>

10) Outbreak of pandemics

If, in the countries and regions where the Group operates, a new epidemic breaks out, and business operations are suspended or supply chains are disrupted, there is a risk that the business activities of the Company may be affected.

In light of this risk, we are formulating an epidemic response manual and business continuity plans. We are also developing alternative production systems deploying our global network.

11) Occurrence of large-scale disasters

The Group has manufacturing bases in Japan and overseas. If a large-scale disaster were to cause extensive damage to employees, buildings, or equipment at these bases and we were forced to suspend operations, the Group's production capacity could be reduced. This could have a significant adverse effect on the Group's business performance, etc.

In light of this risk, we are formulating a disaster-response manual and a business continuity plan, establishing an employee safety confirmation system, reinforcing buildings against earthquakes, and conducting disaster prevention drills. In addition, we are developing alternative production systems using our global network.

12) Legal restriction regarding the Group's business activities

The Group is subject to a variety of legal restrictions for all its business activities, including the Commercial Transactions Act, Antimonopoly Act, labor laws, intellectual property laws, environmental laws, Building Standards Act, and Construction Business Act.

Accordingly, if the Group incurs liability for damages in accordance with these legal restrictions, or in case any relevant laws or regulations are amended or abolished in the future, or a new legal restriction is stipulated, the costs that arise in order to deal with them could have an adverse effect on the Group's business performance, etc.

13) Value fluctuations of investment securities held

The Group holds approximately ¥6.8 billion of investment securities (consolidated, as of March 31, 2024). In case the value of these securities declines due to sluggish business results at the investees or deteriorated market conditions in the securities markets, it could have an adverse effect on the Group's business performance, etc.

4. Management's Analysis of Financial Position, Business Performance, and Cash Flows

(1) Overview of Business Performance, etc.

An overview of the financial position, business performance, and cash flows ("business results, etc.") of the Group (the Company and its consolidated subsidiaries and entities accounted for using equity method) during the fiscal year ended March 31, 2024 is as follows.

1) Business performance

During the fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024), the Japanese economy continued to face an uncertain outlook due to the hike in resource and energy prices, which was triggered by the prolonged Russia's invasion of Ukraine, rising prices around the world, and sharp foreign exchange rate fluctuations due to monetary tightening in many countries, among other factors, while a recovery trend has continued following the easing of the restrictions on activities caused by COVID-19.

In the steel industry, the Group's main customers, domestic crude steel production in FY2023 was slow to recover. While demand for steel products for automobile production was on a recovery trend attributable to the easing of semiconductor shortage, demand for steel products for construction decreased due to the labor shortage as well as weak exports affected by the economic downturn in the Chinese real estate market. Looking at the overseas situation, global crude steel production recovered to the level of the previous year due to an increase in demand for steel products in some regions, such as India, despite the continued weak demand for steel products due to the economic downturn in Europe. Domestic total crude steel production in the fiscal year ended March 31, 2024, decreased by 1.1% year on year to 86.83 million tons. According to the announcement by the World Steel Association, global crude steel production from January to December 2023 decreased worldwide by 0.1% from a year earlier to 1,849.70 million tons, while that in India increased by 11.8% from a year earlier to 140.20 million tons.

In this environment, the Group's business results achieved record highs in both net sales and profit for the second consecutive year. This was mainly attributable to the self-help efforts made by the Group to improve productivity and yields, etc., the efforts made to expand our India business and to expand sales to non-ferrous fields mainly in Europe, and the steady progress in passing the rising prices of raw materials, energy, and other cost increases on to selling prices in the Refractories segment since the last fiscal year.

The Group's business results of the fiscal year ended March 31, 2024 are as follows.

Net sales

The Group's net sales increased by 7.2% from a year earlier to ¥177,029 million. This was mainly attributable to the efforts made to expand our India business and to expand sales to non-ferrous fields mainly in Europe, and the steady progress in passing the rising prices of raw materials, energy, and other cost increases on to selling prices since the last fiscal year.

Profit and loss

Due to the self-help efforts made by the Group to improve productivity and yields in addition to the increase in net sales, its consolidated operating profit increased by 31.5% from a year earlier to ¥14,692 million. With the addition of non-operating foreign exchange gains in response to the rapid depreciation of the yen, ordinary profit increased by 35.6% to ¥16,389 million. The Group's consolidated profit attributable to owners of parent increased by 49.9% to ¥12,416 million.

Business results by segment are as follows.

The net sales of each segment represent sales to external customers and do not include inter-segment sales or transfers. The amounts of segment profit are based on operating profit.

[Refractories] (the manufacture and sales of refractories used by various kinds of industrial furnaces)

Net sales in the Refractories segment increased by 8.1% from a year earlier to ¥151,867 million and segment profit increased by 49.8% from a year earlier to ¥12,673 million. This was mainly attributable to the efforts made to expand our India business and to expand sales to non-ferrous fields mainly in Europe, and the steady progress in passing the rising prices of raw materials, energy, and other cost increases on to selling prices since the last fiscal year.

[Furnace] (the designing, construction, installation and repair of various kinds of furnaces)

Net sales in the Furnace segment increased by 4.1% from a year earlier to ¥15,228 million owing to orders received for large-scale construction projects. However, segment profit decreased by 45.3% from a year earlier to ¥551 million owing, in part, to differences in the composition of orders received.

[Ceramics] (the manufacture and sales of fine ceramics for various industries, and sales of landscape materials)

Net sales in the Ceramics segment decreased by 2.9% from a year earlier to ¥8,226 million and segment profit decreased by 19.9% from a year earlier to ¥851 million. This was mainly attributable to a sluggish recovery in the semiconductor and electronic component markets.

[Real Estate] (the lease of shops, warehouses, etc.)

Net sales in the Real Estate segment remained unchanged from a year earlier at ¥737 million. Segment profit decreased by 4.4% from a year earlier to ¥569 million.

[Others] (the manufacturing and sales of lime for steelworks)

Net sales in Others segment increased by 17.2% from a year earlier to ¥969 million. Segment profit increased by 19.5% from a year earlier to ¥48 million.

2) Financial condition

a. Assets

The Group's consolidated total assets at the end of the fiscal year ended March 31, 2024 increased by ¥15,678 million from the previous year-end to ¥179,019 million. Current assets increased by ¥10,942 million to ¥119,166 million, and non-current assets increased by ¥4,736 million to ¥59,852 million.

A primary factor for the increase in current assets was an increase in notes and accounts receivable - trade, and contract assets mainly due to an increase in net sales. The main factor for the increase in non-current assets was an increase in machinery, equipment and vehicles due to acquisition of manufacturing facilities, etc.

b. Liabilities

The Group's consolidated total liabilities at the end of the fiscal year ended March 31, 2024 increased by ¥839 million from the previous year-end to ¥86,321 million. Current liabilities decreased by ¥2,494 million to ¥58,683 million, and non-current liabilities increased by ¥3,334 million to ¥27,638 million.

A primary factor for the decrease in current liabilities was a decrease in commercial papers. The main factor for the increase in non-current liabilities was an increase in long-term borrowings.

c. Net assets

The Group's consolidated net assets at the end of the fiscal year ended March 31, 2024 increased by ¥14,838 million from the previous year-end to ¥92,697 million.

A primary factor for the increase in net assets was an increase in retained earnings due to the recording of profit attributable to owners of parent.

As a result, the Group's equity ratio at the end of the fiscal year ended March 31, 2024 was 48.7%.

Net assets per share increased from ¥2,182.92 at the previous year-end to ¥2,588.21. On April 1, 2024, the Company conducted a 4-for-1 stock split of its common shares. The "Net assets per share" has been calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

3) Status of cash flows

The Group's cash and cash equivalents (hereinafter "cash") at the end of the fiscal year ended March 31, 2024 increased by ¥4,058 million from the previous year-end to ¥8,483 million.

The status of consolidated cash flows for the fiscal year ended March 31, 2024 and contributing factors were as follows.

a. Cash flows from operating activities

Net cash provided by operating activities amounted to ¥13,724 million compared with ¥1,001 million provided for the previous year.

This consisted primarily of ¥18,385 million in profit before income taxes, ¥3,873 million in depreciation, a ¥7,268 million increase in trade receivables, a ¥2,419 million decrease in inventories, and ¥3,590 million in income taxes paid.

b. Cash flows from investing activities

Net cash used in investing activities amounted to ¥3,589 million compared with ¥4,514 million used for the previous year.

This consisted primarily of a ¥6,595 million payment for the purchase of non-current assets including some facilities, ¥1,500 million in proceeds from sale of non-current assets, and ¥1,888 million in proceeds from sale of investment securities.

c. Cash flows from financing activities

Net cash used in financing activities amounted to ¥6,237 million compared with ¥2,863 million provided for the previous year.

This consisted primarily of a ¥2,823 million increase in short-term borrowings, ¥8,000 million decrease in commercial papers, ¥6,954 million in proceeds from long-term borrowings, ¥4,938 million repayments of long-term borrowings, and ¥2,853 million in dividends paid.

4) Production, orders received, and sales

a. Production results

Production results by business segment for the fiscal year ended March 31, 2024 are as follows.

Business segment	Production (Millions of yen)	Increase (decrease) from previous fiscal year (%)
Refractories	109,455	8.6
Furnace	14,904	8.9
Ceramics	5,501	(1.7)
Others	968	33.7
Total	130,829	8.3

(Notes) 1. Transactions between segments are eliminated.
2. Amounts are based on production cost.
3. There are no production results for the Real Estate segment.

b. Orders received

Orders received by business segment for the fiscal year ended March 31, 2024 are as follows.

Business segment	Orders received (Millions of yen)	Increase (decrease) from previous fiscal year (%)	Orders in hand (Millions of yen)	Increase (decrease) from previous fiscal year (%)
Refractories	156,649	7.4	16,847	6.5
Furnace	16,495	(5.1)	2,479	(36.2)
Ceramics	8,183	(3.0)	627	(6.5)
Others	991	16.6	89	32.0
Total	182,319	5.6	20,044	(2.0)

(Notes) 1. Transactions between segments are eliminated.
2. The Real Estate segment is not included as its activities cannot be categorized as order-receiving.

c. Sales results

Sales results by business segment for the fiscal year ended March 31, 2024 are as follows.

Business segment	Sales (Millions of yen)	Increase (decrease) from previous fiscal year (%)
Refractories	151,867	8.1
Furnace	15,228	4.1
Ceramics	8,226	(2.9)
Real Estate	737	―
Others	969	17.2
Total	177,029	7.2

(Notes) 1. Transactions between segments are eliminated.

2. Sales results by major customer and their share among total sales results

Customer	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Sales (Millions of yen)	Percentage (%)	Sales (Millions of yen)	Percentage (%)
NIPPON STEEL CORPORATION	62,633	37.9	69,856	39.5

(2) Details of Analysis and Discussion of Status of Business Performance, etc. from Management's Perspective

Details of the recognition, analysis and discussion of the status of business performance, etc. of the Group from management's perspective are as follows.

The forward-looking statements included in this section are based on judgment as at the end of the fiscal year ended March 31, 2024.

1) Significant accounting policies and estimates

The Group prepares its consolidated financial statements in accordance with accounting principles generally accepted in Japan. The preparation of these consolidated financial statements requires the use of estimates and predictions that affect the financial condition, business performance and cash flows of the fiscal year ended March 31, 2024. The Group makes ongoing estimates and predictions based on assumptions considered reasonable in light of past results and conditions. Consequently, the actual results may differ from these estimates due to the nature of uncertainty of these estimates.

2) Details of the recognition, analysis and discussion of the status of business performance for the fiscal year ended March 31, 2024

a. Details of the recognition, analysis and discussion of the status of business in general

Net sales

Net sales in the fiscal year ended March 31, 2024 increased by ¥11,826 million from the previous fiscal year to ¥177,029 million (a 7.2% increase from the previous year). This was mainly attributable to steadily passing the cost increases on to selling prices as well as domestic and overseas expansion of business in the Refractories segment, and orders received for large-scale construction projects in the Furnace segment. By region, net sales were ¥96,265 million (a 6.3% increase from the previous year) in Japan, ¥38,552 million (a 13.8% increase from the previous year) in India, ¥9,723 million (a 4.8% decrease from the previous year) in Asia, ¥20,685 million (an 11.2% increase from the previous year) in Europe, and ¥11,801 million (a 1.3% decrease from the previous year) in Others. Overseas sales amounted to ¥80,763 million (an 8.2% increase from the previous year), and the ratio of overseas sales to total sales was 45.6% (up by 0.4 points from the previous year).

Though the outlook is uncertain due to the unstable political and economic trends throughout the world, the Group's sales for the fiscal year ending March 31, 2025 and beyond are expected to be on an upward trend as the Group draws on its global reach as well as its pricing power that aligns with the value of its products and its technological capabilities.

Gross profit

Gross profit in the fiscal year ended March 31, 2024 increased by ¥4,745 million from the previous fiscal year to ¥35,377 million (a 15.5% increase from the previous year) and the ratio of gross profit to net sales increased by 1.4 points to 20.0%.

Operating profit

Operating profit in the fiscal year ended March 31, 2024 increased by ¥3,518 million from the previous fiscal year to ¥14,692 million (a 31.5% increase from the previous year) and the ratio of operating profit to net sales increased by 1.5 points from the previous fiscal year to 8.3%. Selling, general and administrative expenses increased by ¥1,226 million from the previous fiscal year to ¥20,684 million (a 6.3% increase from the previous year).

Ordinary profit

Ordinary profit in the fiscal year ended March 31, 2024 increased by ¥4,305 million from the previous fiscal year to ¥16,389 million (a 35.6% increase from the previous year) and the ratio of ordinary profit to net sales increased by 1.9 points from the previous fiscal year to 9.3%. Non-operating income increased by ¥794 million from the previous fiscal year to ¥2,777 million (a 40.0% increase from the previous year), due to an increase in foreign exchange gains, and non-operating expenses increased by ¥7 million from the previous fiscal year to ¥1,080 million (a 0.7% increase from the previous year).

Profit attributable to owners of parent

Profit attributable to owners of parent in the fiscal year ended March 31, 2024 increased by ¥4,134 million from the previous fiscal year to ¥12,416 million (a 49.9% increase from the previous year). Extraordinary income increased by ¥2,159 million from the previous fiscal year to ¥2,402 million (an 888.3% increase from the previous year) due to increases in gain on sale of investment securities and gain on sale of non-current assets, and extraordinary losses increased by ¥289 million from the previous fiscal year to ¥406 million (a 247.1% increase from the previous year) due to impairment losses.

An analysis of the factors contributing to changes in ordinary profit is as follows.

The Refractories segment in Japan faced a difficult environment caused mainly by the precipitous depreciation of the yen in addition to a decline in crude steel production. However, profit continued to increase primarily attributable to self-help efforts made by the Group to improve productivity and yields, etc. as well as steady progress in passing the rising prices of raw material, energy, and other costs increases on to selling prices. Overseas subsidiaries in India, Europe, etc. also achieved solid results. Consequently, consolidated ordinary profit marked a record high for the second consecutive year.

* Fractions less than a million yen are rounded off.

･Margin improvement	¥1,980 million
･Increase in sales of consumable refractories for Japan	¥60 million
･Increase in sales of refractories for construction in Japan	¥250 million
･Increase in sales of consumable refractories for export	¥560 million
･Cost increases	¥(1,140) million
･Cost reductions	¥1,180 million
･Profit and loss of consolidated subsidiaries	¥1,500 million
･Furnace segment	¥(460) million
･Ceramics segment	¥(210) million
･Non-operating profit or loss	¥590 million

b. Details of the recognition, analysis and discussion of the status of business performance by category stated in segment information

An analysis of the business performance by segment for the fiscal year ended March 31, 2024, is stated in II. Business Overview, 4. Management's Analysis of Financial Position, Business Performance, and Cash Flows, "(1) Overview of Business Performance, etc., 1) Business performance."

c. Details of the analysis and discussion of business performance in light of objective financial data to determine the management policies, management strategies, etc., and achievement status of the management targets

Details of the analysis and discussion of business performance in light of objective financial data to determine the management policies, management strategies, etc., and achievement status of the management targets, are stated in II. Business Overview, 1. Management Policies, Business Environment and Issues to be Addressed, etc., "(2) Targeted financial data, medium- to long-term management strategies of, and issues to be addressed by the Company, 2) Progress of the 2025 Revised Management Plan."

3) Details of the recognition, analysis and discussion of the financial condition for the fiscal year ended March 31, 2024

a. Details of the recognition, analysis and discussion of the status of business in general

An analysis of the financial condition of the fiscal year ended March 31, 2024 is stated in II. Business Overview, 4. Management's Analysis of Financial Position, Business Performance, and Cash Flows, "(1) Overview of Business Performance, etc., 2) Financial condition."

b. Details of the recognition, analysis and discussion of the status of business performance by category stated in segment information

Refractories

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2024 increased by ¥11,318 million from the previous fiscal year end to ¥146,557 million.

The primary factor for the increase in the segment assets was an increase in notes and accounts receivable - trade, and contract assets due to increased sales.

Furnace

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2024 increased by ¥304 million from the previous fiscal year end to ¥10,015 million.

The primary factor for the increase in the segment assets was an increase in notes and accounts receivable - trade, and contract assets.

Ceramics

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2024 increased by ¥392 million from the previous fiscal year end to ¥9,044 million.

The primary factor for the increase in the segment assets was an increase in work in process.

Real Estate

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2024 increased by ¥117 million from the previous fiscal year end to ¥712 million.

The primary factor for the increase in the segment assets was an increase in buildings and structures.

Others

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2024 increased by ¥22 million from the previous fiscal year end to ¥380 million.

4) Details of the recognition, analysis and discussion of the status of cash flows for the fiscal year ended March 31, 2024

a. Details of the recognition, analysis and discussion of the status of business in general

The Group's analysis of capital resources and cash liquidity for the fiscal year ended March 31, 2024 is stated in II. Business Overview, 4. Management's Analysis of Financial Position, Business Performance, and Cash Flows, "(1) Overview of Business Performance, etc., 3) Status of cash flows."

b. Information on capital resources and cash liquidity

The Group's primary working capital requirements are payments for the purchase of merchandise, as well as manufacturing costs, and sales costs such as selling, general and administrative expenses. The Group's primary capital requirements for investments are for the acquisition of equipment.

The Group's basic policy is to stably secure cash liquidity and a source of cash required for its operations.

Short-term working capital is basically financed through internal reserves and short-term borrowings from financial institutions and commercial papers, while capital investments and long-term working capital are basically financed through long-term borrowings from financial institutions.

The balance of interest-bearing liabilities as of March 31, 2024 was ¥36,881 million.

5. Material Business Agreements, etc.

Not applicable

6. Research and Development Activities

The Group conducts R&D activities with a focus on the refractory manufacturing business.

The Refractories segment engages in the development of refractories for steel, which are the Company's mainstay products, as well as the development of technologies for the purpose of diversifying businesses.

The Ceramics segment engages in the development of a variety of industrial-use ceramics.

The research and development costs of the Group amounted to ¥1,158 million for the fiscal year ended March 31, 2024.

(1) Refractories

The Refractories segment develops refractories for steel, which are the Company's mainstay products, as well as technologies related to the construction of refractories for the purpose of diversifying businesses. The R&D activity of the business segment is mainly operated by 24 engineering staffers who work at the Technical Research Laboratory of the Company.

1) Purpose of research and development

- Maintain and strengthen sales competitiveness of refractories for steel
- Reinforce overseas production bases of refractories
- Increase sales channels to markets other than steel
- Improve engineering capabilities through the execution of basic research activities

2) Research themes

- Development of technologies that contribute to carbon neutrality
- Development of new functional materials
- Technological development for manufacturing process
- Develop originality-focused products

3) Research system

The Group is mainly involved in the research of refractories for steel in general and engages in R&D activities of unique products based on the results of basic research.

The research and development costs incurred related to this business segment were ¥1,096 million.

(2) Furnace

No research and development costs were incurred related to this business segment.

(3) Ceramics

The Ceramics segment engages in the development of ceramics for various industries. The research and development costs incurred related to this business segment were ¥62 million.

(4) Real Estate

No research and development costs were incurred related to this business segment.

(5) Others

No research and development costs were incurred related to this business segment.

III. Equipment and Facilities

1. Summary of Capital Investment, etc.

The Group carries out capital investment with focus on the Refractories segment. Including investments in intangible assets, the Group carried out a total of ¥5,687 million in capital investment for the fiscal year ended March 31, 2024.

In the Refractories Business, a total of ¥4,596 million was invested, with focus on equipment and facilities for the production of continuous casting refractories and refractories for converters, etc.

In the Furnace Business, a total of ¥339 million was invested on equipment and facilities for the construction and repair of various furnaces, etc.

In the Ceramics segment, a total of ¥541 million was invested on equipment and facilities for the production of various industrial-use ceramics, etc.

2. Status of Major Equipment

(1) The Filing Company

As of March 31, 2024

Business place (Location)	Name of business segments	Details of facilities and equipment	Book value (Millions of yen)						Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
					Area (Thousand m^2)	Amount			
Head Office and Yahata Plant (Yahatanishi-ku, Kitakyushu City, Fukuoka)	Refractories, Furnace, Ceramics	Production facilities and equipment, facilities and equipment related to furnace construction, others	4,258	3,350	300 [15]	1,316	752	9,678	1,003
Kimitsu Office, East Japan Branch (Kimitsu City, Chiba)	Refractories, Furnace	Production facilities and equipment, facilities and equipment related to furnace construction	620	355	— [5]	—	74	1,050	207
Chiba Plant (Chiba City, Chiba)	Refractories	Production facilities and equipment	136	49	— [16]	—	19	205	18
Ako Plant (Ako City, Hyogo)	Refractories	Production facilities and equipment	372	180	169 [—]	167	24	745	125
Bizen Plant (Bizen City, Okayama)	Refractories, Ceramics	Production facilities and equipment	1,332	870	408 [—]	1,921	59	4,183	201
Takasago Monolithic Plant (Takasago City, Hyogo)	Refractories, Ceramics	Production facilities and equipment	362	106	66 [—]	25	41	536	71
Kisarazu Monolithic Plant (Kisarazu City, Chiba)	Refractories	Production facilities and equipment	191	78	91 [—]	682	23	975	100
Oita Office and Plant (Oita City, Oita)	Refractories	Production facilities and equipment	137	4	16 [15]	115	9	266	23

Business place (Location)	Name of business segments	Details of facilities and equipment	Book value (Millions of yen)						Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
					Area (Thousand m^2)	Amount			
Nagoya Office and Plant, Nagoya Branch (Tokai City, Aichi)	Refractories, Furnace	Production facilities and equipment, facilities and equipment related to furnace construction	513	729	― [45]	―	60	1,303	164
Omuta Plant (Omuta City, Fukuoka)	Ceramics	Production facilities and equipment	92	77	18 [―]	117	25	313	44
Muroran Office and Plant (Muroran City, Hokkaido)	Refractories, Others	Production facilities and equipment	24	125	20 [12]	53	2	206	10
Equipment and Facilities for Real Estate Rental (Izumisano City, Osaka)	Real Estate	Other facilities and equipment	175	―	89 [―]	490	0	665	―

(2) Domestic subsidiaries

As of March 31, 2024

Company name	Business place (Location)	Name of business segments	Details of facilities and equipment	Book value (Millions of yen)						Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
						Area (Thousand m^2)	Amount			
SN Refratecture Tokai Co., Ltd.	Head Office and Plant (Kariya City, Aichi)	Refractories	Production facilities and equipment, other	84	190	― [36]	―	34	308	73

(3) Overseas subsidiaries

As of March 31, 2024

Company name	Business place (Location)	Name of business segments	Details of facilities and equipment	Book value (Millions of yen)						Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
						Area (Thousand m^2)	Amount			
TRL KROSAKI REFRACTORIES LIMITED	Branch and Plant (Odisha, India)	Refractories	Production facilities and equipment, other	3,317	5,880	1,556 [−]	15	302	9,515	1,258
Krosaki Amr Refractarios, S. A.	Head Office and Plant (Guipuzkoa, Spain)	Refractories	Production facilities and equipment, other	1,315	2,547	26 [−]	897	29	4,789	95
Refractaria, S. A.	Head Office and Plant (Asturias, Spain)	Refractories	Production facilities and equipment, other	139	579	72 [−]	85	18	823	116
Wuxi Krosaki Sujia Refractories Co., Ltd.	Head Office and Plant (Jiangsu Province, China)	Refractories	Production facilities and equipment, other	167	466	− [−]	−	20	653	323
TRL KROSAKI CHINA LIMITED	Head Office and Plant (Liaoning Province, China)	Refractories	Production facilities and equipment, other	404	298	− [−]	−	15	719	165

(Notes) 1. The "Other" item under book value refers to tools, furniture and fixtures, and does not include construction in progress.
2. Some land and buildings are rented from companies other than consolidated companies. The land area of the aforementioned lands is shown separately in square brackets "[ ]."
3. For companies that end their fiscal years in December, amount, area of rented land, and number of employees are as of December 31, 2023.

3. Plans for Equipment Introduction, Retirement, etc.

(1) Major equipment introduction, etc.

Not applicable

(2) Major equipment retirement, etc.

Not applicable

IV. Information on the Filing Company

1. Information on the Company's Shares

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued
Common share	35,000,000
Total	35,000,000

(Note) Based on the resolution at the Board of Directors' meeting held on January 31, 2024, amendments were made to the Articles of Incorporation accompanied by a stock split effective April 1, 2024. Accordingly, the total number of shares authorized to be issued increased by 105,000,000 shares to 140,000,000 shares.

2) Total number of shares issued

Class	As of the end of the current fiscal year (Shares) (March 31, 2024)	As of the submission date (Shares) (June 26, 2024)	Stock exchange on which the Company is listed	Description
Common share	9,114,528	36,458,112	Prime Market of the Tokyo Stock Exchange The Fukuoka Stock Exchange	One unit of stock constitutes 100 shares.
Total	9,114,528	36,458,112	—	—

(Note) The Company conducted a 4-for-1 stock split of its common shares effective April 1, 2024. Accordingly, the total number of shares issued increased by 27,343,584 shares to 36,458,112 shares.

(2) Status of subscription rights to shares

1) Stock option plans

Not applicable

2) Rights plans

Not applicable

3) Other status of subscription rights to shares

Not applicable

(3) Status in the exercise of bonds with subscription rights to shares with exercise price amendment

Not applicable

(4) Changes in the total number of shares issued and the amount of share capital and other

(Millions of yen, unless otherwise stated)

Date	Changes in the total number of shares issued (Shares)	Balance of the total number of shares issued (Shares)	Changes in share capital	Balance of share capital	Changes in legal capital surplus	Balance of legal capital surplus
October 1, 2017	(82,030,752)	9,114,528	–	5,537	–	5,138

(Notes) 1. Based on the resolution at the Annual Shareholders' Meeting held on June 29, 2017, 10 shares of the Company's common shares were consolidated into one share, effective October 1, 2017. Accordingly, the total number of shares issued decreased by 82,030,752 shares to 9,114,528 shares.

2. Based on the resolution at the Board of Directors' meeting held on January 31, 2024, the Company conducted a 4-for-1 stock split of its common shares effective April 1, 2024. Accordingly, the total number of shares issued increased by 27,343,584 shares to 36,458,112 shares.

(5) Status of shareholders

As of March 31, 2024

Classification	Status of shares (the number of shares per unit is 100 shares)								Status of shares below unit (Shares)
	Govern-ment and local municipal-ities	Japanese financial institutions	Financial instruments business operators	Other Japanese corporations	Foreign corporations, etc.		Individuals, others	Total	
					Other than individuals	Individuals			
Number of shareholders (Persons)	–	22	24	96	124	8	3,987	4,261	–
Number of shares held (Units)	–	22,289	1,222	40,681	7,543	30	18,486	90,251	89,428
Ratio of shares held (%)	–	24.70	1.35	45.08	8.36	0.03	20.48	100.00	–

(Notes) 1. 695,092 treasury shares include 695 units in the "Individuals, others" box and 92 shares in the "Status of shares below unit" box.

The aforementioned number of treasury shares is what is listed in the register of shareholders. The actual number of treasury shares is 694,992 as of March 31, 2024.

637 shares held under the name of Japan Securities Depository Center, Inc. are classified as 6 units of shares in the "Other Japanese corporations" box and 37 shares in the "Status of shares below unit" box.

2. Based on the resolution at the Board of Directors' meeting held on January 31, 2024, the Company conducted a 4-for-1 stock split of its common shares effective April 1, 2024. The data on the status of shareholders presented above are based on the numbers of shares before the stock split.

(6) Major shareholders

As of March 31, 2024

Name	Address	Number of shares held (Thousands of shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
NIPPON STEEL CORPORATION	2-6-1, Marunouchi, Chiyoda-ku, Tokyo	3,908	46.42
Custody Bank of Japan, Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo	1,005	11.94
The Master Trust Bank of Japan, Ltd.	Akasaka Intercity AIR 1-8-1, Akasaka, Minato-ku, Tokyo	859	10.21
The Bank of Fukuoka	2-13-1, Tenjin, Chuo-ku, Fukuoka City, Fukuoka	185	2.21
J.P. MORGAN BANK LUXEMBOURG S.A. 381572 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	EUROPEAN BANK AND BUSINESS CENTER 6, ROUTE DE TREVES, L-2633 SENNINGERBERG, LUXEMBOURG (Shinagawa Intercity Tower A 2-15-1, Konan, Minato-ku, Tokyo)	95	1.13
YASKAWA Electric Corporation	2-1 Kurosakishiroishi, Yahatanishi-ku, Kitakyushu City, Fukuoka	70	0.83
HSBC BANK PLC A/C TTF AIFMD GENERAL OMNIBUS (Standing proxy: The Hongkong & Shanghai Banking Corporation Limited, Tokyo Branch, Custody Services Department	8 CANADA SQUARE, LONDON E14 5HQ, UNITED KINGDOM (3-11-1, Nihombashi, Chuo-ku, Tokyo)	65	0.78
STATE STREET BANK AND TRUST COMPANY 505223 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (Shinagawa Intercity Tower A 2-15-1, Konan, Minato-ku, Tokyo)	63	0.75
JP MORGAN CHASE BANK 385781 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Tower A 2-15-1, Konan, Minato-ku, Tokyo)	54	0.64
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	54	0.64
Total	—	6,361	75.55

(Notes) 1. Shares held by Custody Bank of Japan, Ltd. and The Master Trust Bank of Japan, Ltd. are categorized as shares related to trust business.

2. In addition to the shares above, the Company owns 695,092 treasury shares.
The aforementioned number of treasury shares is what is listed in the register of shareholders. The actual number of treasury shares is 694,992 as of March 31, 2024.

3. A statement of large-volume holdings (a statement of changes) that was made available for public inspection as of August 7, 2023 states that Sumitomo Mitsui DS Asset Management Company, Limited held the following shares as of July 31, 2023. However, as the Company is not able to confirm the accuracy of the information as of March 31, 2024, it is not included in the list of major shareholders presented above.
The information in the statement of large-volume holdings is as follows:

Name	Address	Number of share certificates, etc. held (Thousands of shares)	Ownership ratio of share certificates, etc. (%)
Sumitomo Mitsui DS Asset Management Company, Limited	Toranomon Hills Business Tower 26F, 1-17-1, Toranomon, Minato-ku, Tokyo	373	4.10

4. A statement of large-volume holdings (a statement of changes) that was made available for public inspection as of February 22, 2024 states that Asset Management One Co., Ltd. held the following shares as of February 15, 2024. However, as the Company is not able to confirm the accuracy of the information as of March 31, 2024, it is not included in the list of major shareholders presented above.

   The information in the statement of large-volume holdings is as follows:

Name	Address	Number of share certificates, etc. held (Thousands of shares)	Ownership ratio of share certificates, etc. (%)
Asset Management One Co., Ltd.	1-8-2, Marunouchi, Chiyoda-ku, Tokyo	687	7.55

5. A statement of large-volume holdings (a statement of changes) that was made available for public inspection as of March 6, 2024 states that Schroder Investment Management (Japan) Limited and its joint holders held the following shares as of February 29, 2024. However, as the Company is not able to confirm the accuracy of the information as of March 31, 2024, it is not included in the list of major shareholders presented above.

   The information in the statement of large-volume holdings is as follows:

Name	Address	Number of share certificates, etc. held (Thousands of shares)	Ownership ratio of share certificates, etc. (%)
Schroder Investment Management (Japan) Limited	1-8-3, Marunouchi, Chiyoda-ku, Tokyo	436	4.78
Schroder Investment Management (Hong Kong) Limited	Two Pacific Place 33F 88 Queensway, Hong Kong	13	0.15
Schroder Investment Management (Singapore) Ltd.	CapitaGreen #23-01 138 Market Street, Singapore 048946	12	0.14

6. Based on the resolution at the Board of Directors' meeting held on January 31, 2024, the Company conducted a 4-for-1 stock split of its common shares effective April 1, 2024. The data on major shareholders presented above are based on the numbers of shares before the stock split.

(7) Status of voting rights

1) Issued shares

As of March 31, 2024

Classification	Number of shares (Shares)	Number of voting rights (Units)	Details
Shares without voting rights	―	―	―
Shares with limited voting rights (treasury shares, etc.)	―	―	―
Shares with limited voting rights (others)	―	―	―
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares 694,900	―	―
Shares with full voting rights (others)	Common shares 8,330,200	83,302	―
Shares below one unit	Common shares 89,428	―	―
Total number of shares issued	9,114,528	―	―
Total voting rights held by all shareholders	―	83,302	―

(Notes) 1. The number of common shares in the "Shares with full voting rights (others)" box includes 600 shares (6 units of voting rights) held by Japan Securities Depository Center, Inc.

2. The number of common shares in the "Shares below one unit" box includes 92 shares of treasury shares held by the Company and 37 shares held by Japan Securities Depository Center, Inc.

3. Based on the resolution at the Board of Directors' meeting held on January 31, 2024, the Company conducted a 4-for-1 stock split of its common shares effective April 1, 2024. The data on issued shares presented above are based on the numbers of shares before the stock split.

2) Treasury shares, etc.

As of March 31, 2024

Shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total (Shares)	Percentage of shares held to the total number of issued shares (%)
(Treasury shares) KROSAKI HARIMA CORPORATION	1-1, Higashihamamachi, Yahatanishi-ku, Kitakyushu City, Fukuoka	694,900	―	694,900	7.62
Total	―	694,900	―	694,900	7.62

(Notes) 1. In addition to the shares above, there are 100 shares (1 unit of voting right) under the name of the Company in the register of shareholders which are not actually held by the Company.
The aforementioned shares are included as common shares in the "Shares with full voting rights (others)" box in "Issued shares" above.

2. Based on the resolution at the Board of Directors' meeting held on January 31, 2024, the Company conducted a 4-for-1 stock split of its common shares effective April 1, 2024. The data on treasury shares, etc. presented above are based on the numbers of shares before the stock split.

2. Status of Purchase of Treasury Shares, etc.

Class of shares, etc.: Purchase of common shares under Article 155, Item 7 of the Companies Act

(1) Status of the purchase of treasury shares resolved at shareholders' meetings

Not applicable

(2) Status of the purchase of treasury shares resolved at the Board of Directors meetings

Not applicable

(3) Details of the purchase of treasury shares not based on the resolutions of shareholders' meetings or the Board of Directors meetings

Category	Number of shares (Shares)	Total amount (Millions of yen)
Treasury shares purchased during the current fiscal year	1,363	14
Treasury shares purchased after the fiscal year-end	120	0

(Notes) 1. "Treasury shares purchased after the fiscal year-end" does not include the number of shares below one unit purchased during the period from June 1, 2024, to the submission date of this securities report.

2. Based on the resolution at the Board of Directors' meeting held on January 31, 2024, the Company conducted a 4-for-1 stock split of its common shares effective April 1, 2024. The data on "Treasury shares purchased during the current fiscal year" are based on the number of shares before the stock split, and the data on "Treasury shares purchased after the fiscal year-end" are based on the number of shares after the stock split.

(4) Status of the disposition and holding of purchased treasury shares

Category	Current fiscal year		After the fiscal year-end	
	Number of shares (Shares)	Total amount disposed (Millions of yen)	Number of shares (Shares)	Total amount disposed (Millions of yen)
Purchased treasury shares for which subscribers were solicited	—	—	—	—
Purchased treasury shares that was retired	—	—	—	—
Treasury shares transferred due to merger, share exchange, share issuance, or corporate divestiture	—	—	—	—
Others	—	—	—	—
Number of shares of treasury shares held	694,992	—	2,780,088	—

(Notes) 1. "Number of shares of treasury shares held" after the fiscal year-end does not include the number of shares below one unit purchased during the period from June 1, 2024, to the submission date of this securities report.

2. "Number of shares of treasury shares held" does not include shares under the name of the Company in the register of shareholders which are not actually held by the Company.

3. Based on the resolution at the Board of Directors' meeting held on January 31, 2024, the Company conducted a 4-for-1 stock split of its common shares effective April 1, 2024. The data on treasury shares for the "Current fiscal year" are based on the number of shares before the stock split, and the data on treasury shares "After the fiscal year-end" are based on the number of shares after the stock split.

3. Basic Policy on Dividends

The Company aims for the sustainable enhancement of its shareholders' value, while maintaining a sufficient level of shareholders' equity that will be required for business developments going forward. In addition, based on profit distribution in accordance with the business results of each term, the Company carries out dividend of surplus taking into consideration the future business development, financial condition and business environment of the Company.

As a general rule for profit distribution, the Company will employ a consolidated dividend payout ratio of around 30%.

The Company's basic policy is to pay out dividends twice a year. The Company stipulates in its Articles of Incorporation that apart from the year-end dividends paid each year with March 31 as the record date, the Company may pay interim dividends each year with September 30 as the record date. Interim dividends are resolved by the Board of Directors, and year-end dividends at the General Meeting of Shareholders.

In light of the consolidated dividend payout ratio for the fiscal year ended March 31, 2024, the dividends of surplus for the current fiscal year are ¥400 per share including the interim dividends of ¥160.

Internal reserves are used in investing in research and development and capital investment, as well as preparing for future business development.

That the Company may pay an interim dividend according to Article 454, Paragraph 5 of the Companies Act is stipulated in the Articles of Incorporation.

(Note) Dividends of surplus on the record dates in the current fiscal year are as follows.

Date of resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)
October 31, 2023 By resolution of the Board of Directors	1,347	160.0
June 26, 2024 By resolution of the Annual Shareholders' Meeting	2,020	240.0

(Note) Based on the resolution at the Board of Directors' meeting held on January 31, 2024, the Company conducted a 4-for-1 stock split of its common shares effective April 1, 2024. The data presented above are the amounts of actual dividends paid out before the stock split.

4. Corporate Governance

(1) Summary of Corporate Governance

1) Basic views on Corporate Governance

The basis of corporate governance at the Company is to ensure management transparency and efficiency to all stakeholders, including shareholders.

We developed the “Mission Statement,” which lays down the “Mission,” “Goal” and “Management Policy” of the Group. We are determined to work to heighten our corporate value by following the guidelines stated in the “Mission Statement.”

2) Summary of the Company’s corporate governance system and the reason for adopting this system

I. Board of Corporate Auditors

The Company adopts a corporate auditor system and a Board of Corporate Auditors system. As of the date of submission of this Annual Securities Report (June 26, 2024), the Board of Corporate Auditors consists of four corporate auditors, namely Full-time Corporate Auditor Masaya Honda (Chairperson of the Board of Corporate Auditors), Corporate Auditor Takaki Goto, Outside Corporate Auditor Morio Matsunaga, and Outside Corporate Auditor Sunao Okaku. Takaki Goto, Morio Matsunaga, and Sunao Okaku, who are part-time corporate auditors, attend the Board of Directors and the Board of Corporate Auditors meetings to express their opinion and comments on matters for significant decision-making of the Group from an objective standpoint. A Board of Corporate Auditors’ meeting is held once a month, in principle, to receive reports on significant matters related to auditing, and to deliberate or make decisions on these matters.

II. Board of Directors

As of the date of submission of this Annual Securities Report (June 26, 2024), the Board of Directors consists of nine directors, namely Representative Director, President Kazuhiro Egawa (Chairperson of the Board of Directors), Directors Takeshi Yoshida, Jumpei Konishi, Masafumi Takeshita, Hisatake Okumura, and Naoki Furuta, and Outside Directors Matsuji Nishimura, Takuji Kato, and Yumi Akagi. Matsuji Nishimura, Takuji Kato, and Yumi Akagi, who are part-time directors, attend the Board of Directors meetings to express their opinion and comments on matters for significant decision-making of the Group from an objective standpoint. A Board of Directors’ meeting is held once a month, in principle, to make decisions on business executions and supervise each director’s performance.

The Company adopts the corporate officer system, which aims to clearly separate the business execution function from the management decision-making and supervisory functions. This system enhances the decision-making and supervisory functions of the Board of Directors, while accelerating and streamlining business execution.

The Company judges that this system allows for full operation of an external checking function and sufficiently guarantees the supervisory function of the Board of Directors.

i) Activities of the Board of Directors

The Board of Directors discussed and confirmed the following.

The Company’s Board of Directors delegates a large part of its authority to executives and further strengthens its monitoring function to encourage appropriate risk-taking and prompt and decisive decision-making by the management team. In particular, the Board will ensure through effective supervision that the management resources, including human capital, are allocated and strategies are implemented appropriately by the management team. In addition, the Board recognizes that the development of internal control systems, including risk and crisis management systems, is its responsibility and builds and operates these systems appropriately.

Based on the above, the Board primarily deliberated on the following matters:

- Matters related to organization and personnel (organizational change, appointment of the representative director / corporate officers, etc.)
- Matters related to management strategies (management policies/plans, investment in group companies, capital alliances, etc.)
- Disposal and acquisition of material assets (acquisition and transfer of property, plant and equipment and securities, etc.)

The Board of Directors meets once a month, in principle. The meeting was held 13 times during the current fiscal year, and the attendance of individual directors was as follows:

Name	Attendance
Kazuhiro Egawa	13/13 times
Masakazu Soejima	3/3 times
Takeshi Yoshida	13/13 times
Jumpei Konishi	13/13 times
Masafumi Takeshita	13/13 times
Hisatake Okumura	13/13 times
Yoshiyuki Fukuda	10/10 times
Matsuji Nishimura	13/13 times
Yukinori Michinaga	13/12 times
Masako Narita	13/13 times

III. Directors and Corporate Auditors Compensation Advisory Council and Directors and Corporate Auditors Nomination Advisory Council

In order to reinforce the independence, objectivity and accountability of the Board of Directors with respect to the compensation and appointment of directors and corporate auditors, voluntary advisory committees (Directors and Corporate Auditors Compensation Advisory Council and Directors and Corporate Auditors Nomination Advisory Council) have been established. Advisory council meetings are held regularly (Directors and Corporate Auditors Compensation Advisory Council and Directors and Corporate Auditors Nomination Advisory Council are each held once a year in principle) or when required. Advisory council meetings, chaired by Representative Director, President Kazuhiro Egawa, comprise Outside Directors Matsuji Nishimura, Takuji Kato, and Yumi Akagi.

The Directors and Corporate Auditors Compensation Advisory Council primarily deliberated on the following matters and made recommendations accordingly to the Board of Directors:

- Deliberated on the amount of compensation, etc. for officers
- Examined the consistency between the content of compensation, etc. for each individual director and the "Policy for determining the content of compensation, etc. for individual directors"

The Directors and Corporate Auditors Nomination Advisory Council primarily deliberated on the following matters and made recommendations accordingly to the Board of Directors:

- Deliberated on the appointment of candidates for directors and corporate auditors
- Discussed the development of candidates for successors to the Representative Director, President and other directors

The attendance at the Directors and Corporate Auditors Compensation Advisory Council and Directors and Corporate Auditors Nomination Advisory Council during the current fiscal year was as follows:

Directors and Corporate Auditors Compensation Advisory Council

Name	Attendance
Kazuhiro Egawa	1/1 time
Matsuji Nishimura	1/1 time
Yukinori Michinaga	1/1 time
Masako Narita	1/1 time

Directors and Corporate Auditors Nomination Advisory Council

Name	Attendance
Kazuhiro Egawa	2/2 times
Matsuji Nishimura	2/2 times
Yukinori Michinaga	2/2 times
Masako Narita	2/2 time

IV. Management Council

To ensure deliberations and reporting of basic management policies and matters especially important in view of the Company's business execution, the Management Council is set up as an advisory body for Representative Director, President. The Management Council meetings are held regularly (twice a month in principle) or when required. The Management Council consists of Representative Director, President Kazuhiro Egawa as Chairperson, full-time directors (namely Takeshi Yoshida, Jumpei Konishi, Masafumi Takeshita, Hisatake Okumura, and Naoki Furuta,) and persons appointed by Representative Director, President. Full-time corporate auditors may attend the meeting to express their opinion. Items requiring decisions on the agenda of the Management Council shall be deliberated therewith and then decided by Representative Director, President, while items subject to resolution by the Board of Directors shall be resolved separately by the Board of Directors. Items not subject to resolution by the Board of Directors shall be processed pursuant to the regulations governing decision-making. Of the agenda for deliberation or reporting at the Management Council, items subject to reporting to the Board of Directors shall be reported separately to the Board of Directors.

V. Company-wide committees

The Company has set up company-wide committees as bodies to complement regular bodies and to report to the Board of Directors or Representative Director, President following specialized investigation, consideration, and deliberation on company-wide and regular matters that are specifically important across departments. The following two company-wide committees chaired by Representative Director, President have been established.

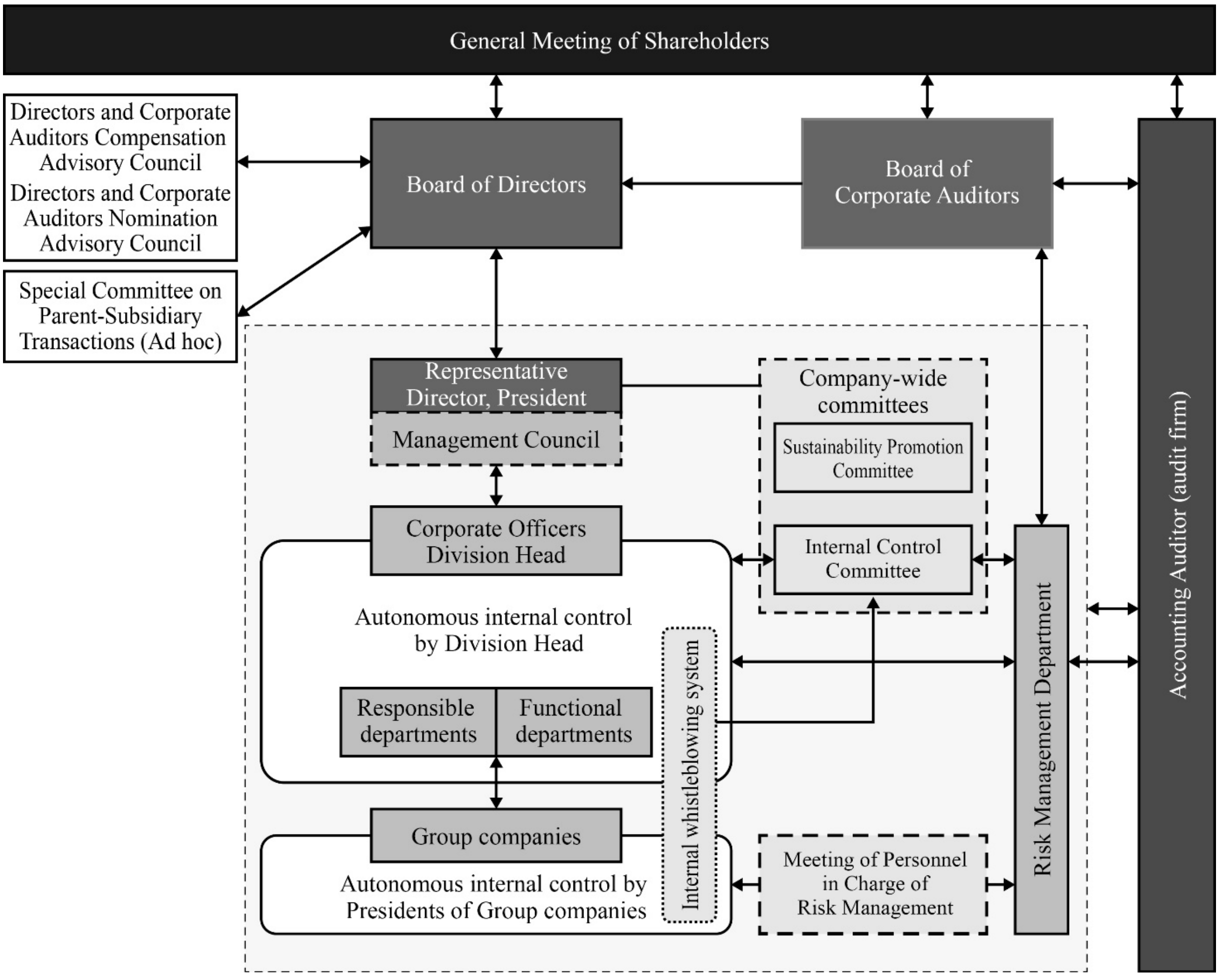
i) Sustainability Promotion Committee

From the perspective of improving corporate value over the medium- to long-term, the committee deliberates and reports on the formulation of policies and action plans regarding the Company's sustainability issues and initiatives, progress management, rolling planning and so forth.

ii) Internal Control Committee

The committee deliberates on and approves basic policies on and activity plans for the internal control system of the Group and reports on the status of development and operation of the internal control system. In the event of a crisis, the committee establishes an emergency response headquarters internally to swiftly and cross-departmentally solve problems.

The schematic diagram of the Company's corporate governance system as of the date of submission is as shown below.



3) Other matters related to the Company's corporate governance

a. To establish self-disciplinary internal control by General Managers of departments and Presidents of Group companies, the Group develops and operates an internal control system and risk management system based on relevant regulations and ensures the appropriateness of business operations.

1) General Managers of departments and Presidents of Group companies

The Group's internal control system is based on self-disciplinary internal control where an internal control system is built, improved, and operated autonomously under the responsibility of General Managers of departments and Presidents of Group companies (risk identification, evaluation, control activities, self-inspection and monitoring, etc. by divisions and departments or Group companies themselves).

2) Principal departments

The departments most closely related to the business of the Group companies are designated as principal departments to ensure the smooth operation of the Group's management. Principal departments monitor and follow up on the status of internal control activities at the Group companies and, if necessary, request guidance and support of functional departments for Group companies.

3) Functional departments

Functional departments (Human & Plant Safety and Environmental Division, Technological Management Division, Quality Assurance Division, Purchasing Division, Finance Division, General Administration Department, Digital Innovation Division, Human Resources Department, Sales Division, Production Process Management and Logistics Division, Facility Department and Furnace Division) have been established to be in charge of functional risk management and to provide guidance and support in specialized areas to the Company's departments and Group companies.

4) Risk Management Department

The Risk Management Department has been established as a division that formulates basic policies on the internal control systems of the Group and audits their operational status. The Risk Management Department regularly reports on the status of the establishment and operation of the internal control systems to the Management Council and the Board of Directors, in addition to the Internal Control Committee.

5) Internal whistleblowing system

The internal whistleblowing system has been set up to receive employee whistleblowing with the aim of preventing violations of laws and regulations and the spread of fraud at the Group and ensuring legal and proper business execution. Persons appointed by General Managers of the General Administration Department, the Human Resources Department and the Risk Management Department and the General Manager of the General Administration Group of the General Administration Department serve as points of contacts for this system. Points of contact are also established in an outside specialized organization and other organizations.

The points of contact carry out fact-finding investigation on reported incidents, and in the event that any wrongdoing or unjust act is confirmed, request the General Manager of the Human Resources Department to take disciplinary action against the wrongdoer in accordance with the Employment Regulations.

To strictly ensure the protection of whistleblowers, the Company has established and operates rules based on the Whistleblower Protection Act.

6) Internal Control Committee

The committee deliberates on and approves basic policies on and activity plans for the internal control system of the Group and reports on the status of development and operation of the internal control system. In the event of a crisis, an emergency response headquarters will be established inside the committee to swiftly solve problems across all departments.

7) Meeting of Personnel in Charge of Risk Management

As a platform to share information and exchange opinions related to internal control with Group companies, the Meeting of Personnel in Charge of Risk Management is held. The Meeting of Personnel in Charge of Risk Management is hosted by the Risk Management Department.

b. Outline of liability exemption

Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company has concluded a limited liability agreement with each director who is not an executive director and each corporate auditor, which limits the liability for damages under Article 423, Paragraph 1, of the Act to the minimum liability amount stipulated in the applicable laws and regulations only if each director who is not an executive director and corporate auditor conducts the duties that have caused his/her liability in good faith and without gross negligence.

c. Outline of directors and officers liability insurance contract

The Company has entered into a directors and officers liability insurance (D&O insurance) contract to insure directors and corporate auditors of the Company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. Insurance premiums are fully paid for by the Company, and the insured is not, in effect, liable for any insurance premium.

Under the said insurance contract, the insurer shall cover any damage that may arise as a result of the insured directors' and officers' assuming liability in connection with the execution of their duties or receiving claims related to the pursuit of such liability. However, there are certain exemptions, such as non-coverage for damage caused by an action taken with the knowledge that it violates laws and regulations.

The above insurance contract has a deductible, and damage up to the deductible shall not be covered.

d. Requisite number of directors

The Company stipulates in its Articles of Incorporation that the Board of Directors shall consist of not more than ten directors.

e. Resolution requirement for the election of directors

The Company stipulates in its Articles of Incorporation that voting on resolutions for election of directors shall take place with the presence of shareholders who represent one-third or more of total shares with voting rights, by the majority of the voting rights held by shareholders present entitled to exercise their voting rights, and those which are not contingent upon cumulative votes shall be the requisite for adoption of the resolution for electing directors.

f. Purchase of treasury shares

The Company has included in its Articles of Incorporation a clause allowing purchase of its own shares via the market, subject to a resolution of the Board of Directors in accordance with Article 165, Paragraph 2, of the Companies Act. Such inclusion was made to flexibly carry out management measures such as financial policies according to the Company's financial conditions and other circumstances.

g. Liability exemption for directors and corporate auditors

In order for directors and corporate auditors to fulfill the roles expected of them, the Articles of Incorporation of the Company set forth "The Company may, by resolution of the Board of Directors, exempt any Director (including former Directors) from liability of damages for neglect of duty, in accordance with the provision of Article 426, Paragraph 1 of the Companies Act, to the extent as provided in laws and regulations" and "The Company may, by resolution of the Board of Directors, exempt any Corporate Auditor (including former Corporate Auditors) from liability of damages for neglect of duty, in accordance with the provision of Article 426, Paragraph 1 of the Companies Act, to the extent as provided in laws and regulations."

h. Dividends from surplus

The Company stipulates in its Articles of Incorporation that the Company may, by a resolution of the Board of Directors, pay interim dividends each year with September 30 as the record date for the purpose of flexibly returning profits to shareholders.

i. Requirement of special resolution at the shareholders' meetings

For the purpose of maintaining the smooth operation of shareholders' meetings, the Company stipulates in its Articles of Incorporation that special resolutions as set forth in Article 309, Paragraph 2, of the Companies Act, shall be passed with the presence of shareholders who represent one-third or more of total shares with voting rights, by two-thirds or more of the voting rights held by shareholders present entitled to exercise their voting rights.

(2) Directors and Corporate Auditors

1) List of Directors and Corporate Auditors

Male: 12, Female: 1 (Ratio of female to Directors and Corporate Auditors: 7.7%)

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Representative Director, President	Kazuhiro Egawa	February 24, 1959	April 1981 April 2005 April 2007 April 2009 April 2012 October 2012 April 2013 April 2016 April 2017 April 2019 June 2019	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION) Head of Division, Pipe & Tube Marketing Division, Pipe & Tube Unit of Nippon Steel Corporation Branch Manager, Nagoya Branch of Nippon Steel Corporation Head of Division, Overseas Marketing Division of Nippon Steel Corporation Executive Counsellor and Head of Division, Overseas Marketing Division of Nippon Steel Corporation Executive Counsellor and Head of Division, Export Control Division and Flat Products Export Marketing Division, Flat Products Unit of Nippon Steel & Sumitomo Metal Corporation (presently NIPPON STEEL CORPORATION) Executive Officer of Nippon Steel & Sumitomo Metal Corporation Managing Executive Officer of Nippon Steel & Sumitomo Metal Corporation Managing Executive Officer, Project Leader, Usiminas Project, and in charge of the North, Central, and South American Region, Global Business Development Sector of Nippon Steel & Sumitomo Metal Corporation Executive Officer of NIPPON STEEL CORPORATION Advisor of the Company Representative Director, President of the Company (to present)	(Note) 3	428

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Director, Managing Corporate Officer, In charge of promotion of sustainability, Management concerning Ceramics Unit, Headquarters (Purchasing, Accounting & Finance, Corporate Planning)	Takeshi Yoshida	November 11, 1962	April 1985 July 2000 August 2004 April 2010 April 2017 April 2021 June 2021 April 2023	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION) Group Leader, Labor Administration and Human Resources Group, Labor and Purchase Division, Yawata Works of Nippon Steel Corporation Group Leader, Material Contract Group, Machine and Materials Division of Nippon Steel Corporation General Manager, Planning Division of the Company Corporate Officer of the Company Managing Corporate Officer of the Company Director, Managing Corporate Officer of the Company Director, Managing Corporate Officer, In charge of promotion of sustainability, Management concerning Ceramics Unit, Headquarters (Purchasing, Accounting & Finance, Corporate Planning) of the Company (to present)	(Note) 3	52
Director, Managing Corporate Officer, Management concerning Coke Oven business in general, Furnace Business Unit, Research & Development Unit, Headquarters (Technical Management, Quality Assurance), Cooperating with Managing Corporate Officer Mr. Furuta concerning Refractories Manufacturing Business	Jumpei Konishi	April 9, 1963	April 1988 November 2011 April 2012 April 2015 June 2015 March 2019 April 2020 June 2020 April 2021 June 2021 April 2024	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION) General Manager, Technical Administration & Planning Division of Nippon Steel Corporation Seconded to Usiminas (General Manger, Strategic Engineering Division) General Manager, Steelworks Technology Division of Nippon Steel & Sumitomo Metal Corporation (presently NIPPON STEEL CORPORATION) Outside Director of the Company Director of the Company Director, Corporate Officer of the Company Corporate Officer of the Company Managing Corporate Officer of the Company Director, Managing Corporate Officer of the Company Director, Managing Corporate Officer, Management concerning Coke Oven business in general, Furnace Business Unit, Research & Development Unit, Headquarters (Technical Management, Quality Assurance), Cooperating with Managing Corporate Officer Mr. Furuta concerning Refractories Manufacturing Business of the Company (to present)	(Note) 3	116

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Director, Managing Corporate Officer, Management concerning Refractories Domestic Sales Unit, Headquarters (General Administration, Digital Innovation, Human Resources, Risk Management)	Masafumi Takeshita	May 8, 1961	April 1986 April 2015 April 2017 April 2019 April 2020 June 2022 April 2023	Joined KUROSAKI REFRACTORIES CO., LTD. (presently the Company) Corporate Officer and General Manager, Administration & Personnel Division of the Company Corporate Officer and General Manager, Sales Planning Division of the Company Managing Corporate Officer and General Manager, Sales Department 1, Sales Division of the Company Managing Corporate Officer, Management concerning Refractories Domestic Sales Unit, and Senior General Manager, Sales Division of the Company Director, Managing Corporate Officer of the Company Director, Managing Corporate Officer, Management concerning Refractories Domestic Sales Unit, Headquarters (General Administration, Digital Innovation, Human Resources, Risk Management) of the Company (to present)	(Note) 3	24
Director, Managing Corporate Officer, Management concerning Refractories Overseas Business Unit, Commissioned as Senior General Manager of Global Business Division	Hisatake Okumura	November 22, 1962	October 2004 April 2016 April 2017 April 2018 April 2020 January 2021 April 2021 June 2022	Joined the Company Senior General Manager, Functional Refractories Manufacturing Business Division of the Company Senior General Manager, Unshaped Refractories Manufacturing Business Division of the Company Corporate Officer and General Manager, Production Planning Department, Refractories Manufacturing Business Division of the Company Corporate Officer and General Manager, Overseas Business Planning Department, Overseas Business Division of the Company Corporate Officer and Senior General Manager, Overseas Business Division of the Company Managing Corporate Officer and Senior General Manager, Overseas Business Division of the Company Director, Managing Corporate Officer, Management concerning Refractories Overseas Business Unit, Commissioned as Senior General Manager of Global Business Division of the Company (to present)	(Note) 3	24

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Director, Managing Corporate Officer, Management concerning Refractories Manufacturing Business Unit and Human & Plant safety, Health, Environment and Accident Prevention, Commissioned as Senior General Manager of Refractories Manufacturing Division	Naoki Furuta	January 15, 1961	April 1985 July 2011 April 2017 April 2022 June 2024	Joined KUROSAKI REFRACTORIES CO., LTD. (presently the Company) General Manager, Raw Materials Center, Purchasing Division of the Company Corporate Officer, General Manger, Purchasing Division of the Company Managing Corporate Officer, Senior General Manager, Refractories Manufacturing Division of the Company Director, Managing Corporate Officer, Management concerning Refractories Manufacturing Business Unit and Human & Plant safety, Health, Environment and Accident Prevention, Commissioned as Senior General Manager of Refractories Manufacturing Division of the Company (to present)	(Note) 3	48
Director	Matsuji Nishimura	August 5, 1947	April 1971 July 2003 June 2004 June 2006 June 2008 June 2009 May 2012 June 2013 June 2020 June 2021 June 2023	Joined Kyushu Denki Koji Corporation (presently Kyudenko Corporation) Director, General Manager, Saga Branch of Kyudenko Corporation Director of Kyudenko Corporation Managing Director of Kyudenko Corporation Senior Managing Executive Officer of Kyudenko Corporation Director, Senior Managing Executive Officer of Kyudenko Corporation Director, Vice President Executive Officer of Kyudenko Corporation Representative Director and President of Kyudenko Corporation Director and Chairman of Kyudenko Corporation Outside Director of the Company (to present) Adviser of Kyudenko Corporation (to present)	(Note) 3	—

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Director	Takuji Kato	December 6, 1962	April 1985 July 2010 April 2018 April 2020 April 2021 June 2021 April 2024 June 2024	Joined Saibugas Co., Ltd. (presently SAIBU GAS HOLDINGS CO., LTD.) General Manager, Energy Planning Department, Energy Management Division of SAIBUGAS CO., LTD. Executive Officer, Deputy Head, Energy Sales and Marketing Division of SAIBUGAS CO., LTD. Associate Senior Executive Officer, Senior General Manager, Energy Sales and Planning Department of SAIBUGAS CO., LTD. Associate Senior Executive Officer of SAIBU GAS HOLDINGS CO., LTD. Director and Associate Senior Executive Officer of SAIBU GAS HOLDINGS CO., LTD. Representative Director and President, President and Executive Officer of SAIBU GAS HOLDINGS CO., LTD. (to present) Representative Director and President, President and Executive Officer of SAIBUGAS CO., LTD. (to present) Outside Director of the Company (to present) Outside Director, Audit and Supervisory Committee Member of Kyudenko Corporation (to present)	(Note) 3	–

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Director	Yumi Akagi	April 2, 1968	April 1991 March 2012 June 2012 June 2014 July 2015 June 2017 June 2018 June 2019 April 2022 June 2023 June 2024	Joined Kyushu Railway Company Deputy General Manager, Strategy Management Department, Corporate Planning Headquarters of Kyushu Railway Company Representative Director and President of JR Kyushu Fast Foods Inc. Deputy General Manager, Administration Department of Kyushu Railway Company General Manager, Human Resources Department of Kyushu Railway Company General Manager, Customer Service Department, Railway Operations Headquarters and General Manager, Marketing & Sales Department, Railway Operations Headquarters of Kyushu Railway Company Corporate Officer, General Manager, Customer Service Department, Railway Operations Headquarters and General Manager, Marketing & Sales Department, Railway Operations Headquarters of Kyushu Railway Company Corporate Officer, General Manager, Kumamoto Regional Office of Kyushu Railway Company Senior Corporate Officer, Deputy Director General, Corporate Planning Headquarters and General Manager, Strategy Management Department of Kyushu Railway Company Director and Managing Corporate Officer, Deputy Director General, Corporate Planning Headquarters and General Manager, Strategy Management Department of Kyushu Railway Company (to present) Outside Director of the Company (to present)	(Note) 3	—

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Full-time Corporate Auditor	Masaya Honda	January 13, 1960	April 1982 May 2011 April 2014 April 2017 June 2017 January 2021 April 2022 June 2022	Joined KUROSAKI REFRACTORIES CO., LTD. (presently the Company) General Manager, Finance Division of the Company Corporate Officer of the Company Managing Corporate Officer of the Company Director and Managing Corporate Officer of the Company Director, Managing Corporate Officer, in charge of Headquarters Department (ICT, Administration, Risk Management and Business Process Innovation), and General Manager, Administration & Personnel Division of the Company Director, special assignment to President of the Company Full-time Corporate Auditor of the Company (to present)	(Note) 4	152
Corporate Auditor	Takaki Goto	September 28, 1969	April 1992 May 2008 April 2011 April 2016 April 2019 April 2021 April 2022 June 2022 April 2024	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION) Accounting Group Leader, Muroran Works of Nippon Steel Corporation Manager, Accounting & Finance Division of Nippon Steel Corporation General Manager, Budget Office, Accounting & Finance Division of Nippon Steel Corporation General Manager, Corporate Planning Division of Nippon Steel Corporation General Manager, Group Companies Planning Division of Nippon Steel Corporation General Manager, Group Companies Planning Division of Nippon Steel Corporation Corporate Auditor of the Company (to present) Audit & Supervisory Board Member of OSAKA STEEL CO., LTD. (to present) Executive Counsellor, General Manager, Group Companies Planning Division of Nippon Steel Corporation (to present)	(Note) 4	–

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Corporate Auditor	Morio Matsunaga	August 7, 1949	August 1977 October 1978 November 1980 September 1996 April 2002 April 2004 April 2010 June 2016 June 2016 June 2018	Postdoctoral fellow of The University of Tennessee in the U.S. Lecturer, School of Engineering of Kyushu Institute of Technology Associate Professor, School of Engineering of Kyushu Institute of Technology Professor, School of Engineering of Kyushu Institute of Technology Vice President of Kyushu Institute of Technology Director of (National University Corporation) Kyushu Institute of Technology President of (National University Corporation) Kyushu Institute of Technology President of Kitakyushu Foundation for the Advancement of Industry, Science and Technology (to present) Outside Director of Mitsui Mining and Smelting Co., Ltd. (to present) Outside Corporate Auditor of the Company (to present)	(Note) 4	–
Corporate Auditor	Sunao Okaku	June 14, 1960	April 1985 July 2006 June 2009 June 2012 June 2015 June 2016 April 2018 June 2018 June 2020 June 2021 June 2023	Joined Nishi-Nippon Railroad Co., Ltd. General Manager, CV Management Office, Corporate Planning Division of Nishi-Nippon Railroad Co., Ltd. General Manager, Corporate Management Department of Nishi-Nippon Railroad Co., Ltd. General Manager, Accounting Department of Nishi-Nippon Railroad Co., Ltd. Director of the Board, Executive Officer, General Manager, Accounting Department of Nishi-Nippon Railroad Co., Ltd. Senior Executive Officer, General Manager, Accounting Department of Nishi-Nippon Railroad Co., Ltd. Senior Executive Officer of Nishi-Nippon Railroad Co., Ltd. Director of the Board, Full-time Audit & Supervisory Committee member of Nishi-Nippon Railroad Co., Ltd. Director of the Board, Senior Managing Executive Officer of Nishi-Nippon Railroad Co., Ltd. Senior Managing Executive Officer, Nishi-Nippon Railroad Co., Ltd. (to present) Outside Corporate Auditor of the Company (to present)	(Note) 4	–
Total						844

(Notes) 1. Directors Matsuji Nishimura, Takuji Kato, and Yumi Akagi are Outside Directors.
2. Corporate Auditors Morio Matsunaga and Sunao Okaku are Outside Corporate Auditors.

3. The term of office for Directors is from the conclusion of the Annual Shareholders' Meeting for the fiscal year ended March 31, 2024, to the conclusion of the Annual Shareholders' Meeting for the fiscal year ending March 31, 2025.
4. The term of office for Corporate Auditors is from the conclusion of the Annual Shareholders' Meeting for the fiscal year ended March 31, 2023, to the conclusion of the Annual Shareholders' Meeting for the fiscal year ending March 31, 2027.
5. Number of shares held is rounded down to the nearest hundred.
6. In order to prepare for cases where the number of Corporate Auditors does not satisfy the requirements of the Articles of Incorporation, the Company has elected 4 Substitute Corporate Auditors (Corporate Auditor Kosuke Kajihara to substitute Corporate Auditor Masaya Honda, Corporate Auditor Takayuki Fujino to substitute Corporate Auditor Takaki Goto, Outside Corporate Auditor Katsutoshi Kitazato to substitute Outside Corporate Auditor Morio Matsunaga, and Outside Corporate Auditor Hitoshi Kubota to substitute Outside Corporate Auditor Sunao Okaku) pursuant to Article 329, Paragraph 3 of the Companies Act. The career summaries of the Substitute Corporate Auditors are as follows.

Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Kosuke Kajihara	December 8, 1963	April 1986	Joined KUROSAKI REFRACTORIES CO., LTD. (presently the Company)	(Note)	4
		October 2010	General Manager, Equipment and Materials Center, Purchasing Division of the Company		
		April 2015	General Manager in charge of Finance Division of the Company		
		April 2022	General Manager, Office of Corporate Auditors of the Company (to present)		
Takayuki Fujino	June 15, 1971	April 1996	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION)	(Note)	–
		July 2015	General Manager, Flat Products Process Office, Process Operations Department, Yahata Works of NIPPON STEEL & SUMITOMO METAL CORPORATION (presently NIPPON STEEL CORPORATION)		
		July 2019	General Manager, Steel Materials Office, Niigata Marketing Branch of NIPPON STEEL CORPORATION		
		April 2023	Acting General Manager, Group Companies Planning Division, Nippon Steel Corporation (to present)		
			Corporate Auditor, Nippon Steel Coated Sheet Corporation (to present)		
			Audit & Supervisory Board Member, NIPPON STEEL PIPE CO., LTD. (to present)		

Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Katsutoshi Kitazato	March 22, 1963	April 1986 April 2013 April 2015 April 2017 April 2019 April 2021 June 2023 June 2024	Joined City of Kitakyushu General Manager, Public Relations Office of City of Kitakyushu General Manager, Administration and Policy Department, Environment Bureau of City of Kitakyushu General Manager, Administration Department, Administration Bureau of City of Kitakyushu Mayor of Kokurakita Ward of City of Kitakyushu Director, Industry and Economy Bureau of City of Kitakyushu Senior Managing Director of Kitakyushu Foreign Trade Association Senior Managing Director of Kitakyushu Foundation for the Advancement of Industry, Science and Technology (to present)	(Note)	–
Hitoshi Kubota	August 16, 1963	April 1986 July 2000 July 2010 July 2012 July 2016 April 2019 April 2020 April 2022 April 2024	Joined Nishi-Nippon Railroad Co., Ltd. General Manager, Accounting Department of Nishitetsu Store Inc. Representative Director, Senior Managing Director of Nishitetsu Accounting Service Inc. Representative Director, President of Nishitetsu Accounting Service Inc. Representative Director, President of Nishitetsu-unyu Co., Ltd. Group Board Member of Nishi-Nippon Railroad Co., Ltd. Executive Officer of Nishi-Nippon Railroad Co., Ltd. Executive Officer, General Manager of Group Marketing Planning Department, Nishi-Nippon Railroad Co., Ltd. Representative Director, President of Nishitetsu Store Inc. (to present)	(Note)	–

(Note) The term of office for Substitute Corporate Auditors, should they be elected as Corporate Auditors, shall be when the Corporate Auditor they are substituting supposedly retires.

7. The Company conducted a 4-for-1 stock split of its common shares on April 1, 2024. The numbers of shares of the Company held presented above are the totals after the stock split.

8. The Company adopts a corporate officer system, which aims to clearly separate the business execution function from the management decision-making and supervisory functions. This system enhances the decision-making and supervisory functions of the Board of Directors, while accelerating and streamlining business execution.
Executive officers who are not Directors as of June 26, 2024 are 19 persons as follows:

Title	Name	Position
Managing Corporate Officer	Masafumi Takeshita	Management concerning Refractories Domestic Sales Unit, Headquarters (General Administration, Digital Innovation, Human Resources, Risk Management)
Managing Corporate Officer	Takeshi Yoshida	In charge of promotion of sustainability, Management concerning Ceramics Unit, Headquarters (Purchasing, Accounting & Finance, Corporate Planning)
Managing Corporate Officer	Jumpei Konishi	Management concerning Coke Oven business in general, Furnace Business Unit, Research & Development Unit, Headquarters (Technical Management, Quality Assurance), Cooperating with Managing Corporate Officer Mr. Furuta concerning Refractories Manufacturing Business
Managing Corporate Officer	Hisatake Okumura	Management concerning Refractories Overseas Business Unit, Commissioned as Senior General Manager of Global Business Division
Managing Corporate Officer	Yoshiyuki Fukuda	In charge of promotion of carbon neutrality, Commissioned as Senior General Manager, Safety, Environment & Disaster Prevention Promotion Division, Acting General Manager, Safety and Health Promotion Department, Safety, Environment & Disaster Prevention Promotion Division
Managing Corporate Officer	Naoki Furuta	Management concerning Refractories Manufacturing Business Unit and Human & Plant safety, Health, Environment and Accident Prevention, Commissioned as Senior General Manager, Refractories Manufacturing Division
Managing Corporate Officer	Akio Moriya	Commissioned as General Manager, Technological Management Division, Commissioned as Senior General Manager, Quality Assurance Division
Corporate Officer	Kohzoh Ohta	Commissioned as General Manager, Nagoya Branch, Sales Division, Commissioned as General Manager, Nagoya Branch, Furnace Division
Corporate Officer	Takeshi Yabu	Commissioned as General Manager, Kyushu Branch, Sales Division
Corporate Officer	Ryusuke Miura	Commissioned as Senior General Manager, Furnace Division, Assistant to Managing Corporate Officer Mr. Konishi concerning Coke Oven business in general, KROHARI CHIKURO CORPORATION (Representative Director, President)
Corporate Officer	Hidehiro Yamanaka	Commissioned as Senior General Manager, Ceramics Business Division
Corporate Officer	Kenji Tomita	Commissioned as Branch Manager, East Japan Branch, Sales Division, Commissioned as General Manager, East Japan Branch, Furnace Division
Corporate Officer	Makoto Nakamura	Commissioned as Senior General Manager, Sales Division, Commissioned as General Manager, Kansai and Setouchi Branch, Sales Division
Corporate Officer	Takashi Matsunaga	Commissioned as Senior General Manager, Unshaped Refractories Manufacturing Business Division, Refractories Manufacturing Division
Corporate Officer	Yuzou Kawatsu	Commissioned as General Manager, Facility Department, Refractories Manufacturing Division
Corporate Officer	Sachihiko Asaya	Commissioned as General Manager, Corporate Planning Department, Acting General Manager, Sustainability Promotion Department, Corporate Planning Department, Assistant to Managing Corporate Officer Mr. Yoshida concerning accounting & finance, Assistant to Managing Corporate Officer Mr. Okumura concerning global business
Corporate Officer	Hajime Nishiyama	Commissioned as General Manager, General Administration Department, Commissioned as General Manager, Digital Innovation Division, Commissioned as General Manager, Risk Management Department
Corporate Officer	Kazushi Akagi	Commissioned as General Manager, Iron Making and Construction Refractories Division, Refractories Manufacturing Division, Commissioned as Acting General Manager, Iron Making and Coke Oven Technologies Department, Iron Making and Construction Refractories Division, Refractories Manufacturing Division
Corporate Officer	Kenzo Yamamoto	Commissioned as General Manager, Purchasing Division

2) Outside directors and outside corporate auditors

a. Number of outside directors and outside corporate auditors

The Company has three outside directors (Matsuji Nishimura, Takuji Kato, and Yumi Akagi).

The Company has two outside corporate auditors (Morio Matsunaga and Sunao Okaku).

b. Human, capital or transactional relationship or any other interest relationship with the Company

Matsuji Nishimura has served as a business executive (executive director) of Kyudenko Corporation for the last 10 years.

The Company paid ¥4,550,000 (non-consolidated, for the fiscal year ended March 31, 2024) for the electrical work supplied by Kyudenko Corporation. However, as this transaction is relatively small compared to the business scales of the Company and Kyudenko Corporation, it is determined to have no significant effect to the status of independence of Matsuji Nishimura.

Takuji Kato has served for the last 10 years, and currently serves as a business executive (executive director, etc.) of Saibugas Co., Ltd. (presently SAIBU GAS HOLDINGS CO., LTD.).

As there are no special relationships of interest between the Company and SAIBU GAS HOLDINGS CO., LTD., the Company has determined that there are no circumstances that affect the status of independence of Takuji Kato.

Yumi Akagi has served for the last 10 years, and currently serves as a business executive (executive director, etc.) of Kyushu Railway Company.

As there are no special relationships of interest between the Company and Kyushu Railway Company, the Company has determined that there are no circumstances that affect the status of independence of Yumi Akagi.

Morio Matsunaga has served as a business executive (President, etc.) of (National University Corporation) Kyushu Institute of Technology for the last 10 years and currently serves as a business executive (President) of Kitakyushu Foundation for the Advancement of Industry, Science and Technology.

As there are no special relationships of interest between the Company and (National University Corporation) Kyushu Institute of Technology nor between the Company and Kitakyushu Foundation for the Advancement of Industry, Science and Technology, the Company has determined that there are no circumstances that affect the status of independence of Morio Matsunaga.

Sunao Okaku has served as a business executive (executive director, etc.) of Nishi-Nippon Railroad Co., Ltd. for the last 10 years.

As there are no special relationships of interest between the Company and Nishi-Nippon Railroad Co., Ltd., the Company has determined that there are no circumstances that affect the status of independence of Sunao Okaku.

c. Functions and roles fulfilled by outside directors and outside corporate auditors in the corporate governance of the Group

Matsuji Nishimura had been engaged in corporate management as the director of Kyudenko Corporation until June 2023. He was nominated as an outside director in our hope of him utilizing his insights and experience on management acquired over the years in the supervision of the Company’s management.

Takuji Kato (appointed as of June 26, 2024) has been engaged in corporate management as the director of Saibugas Co., Ltd. (presently SAIBU GAS HOLDINGS CO., LTD.) since June 2021. He was nominated as an outside director in our hope of him utilizing his insights and experience on management acquired over the years in the supervision of the Company’s management.

Yumi Akagi (appointed as of June 26, 2024) has been engaged in corporate management as the director of Kyushu Railway Company and has extensive insight into diversity & inclusion, promotion of women’s advancement and strategies on personnel affairs and public relations that she cultivated through her career. She was nominated as an outside director in our hope of her utilizing such insights and experience in the supervision of the Company’s management.

Outside Directors attend the Board of Directors meetings of the Company to express their views and comments on matters for significant decision-making of the Group from an objective standpoint.

Morio Matsunaga has expertise in engineering and has been engaged in organizational management as a college professor and the director/president of a National University Corporation. He was nominated as an outside corporate auditor in our hope of him utilizing his abundant insights and experience to strengthen the auditing system of the Company.

Sunao Okaku has many years of experience in the accounting and finance divisions of Nishi-Nippon Railroad Co., Ltd., and has been involved in management as Director of the Board and other positions at said company since June 2015. He was nominated as an outside corporate auditor in our hope of him utilizing his knowledge of finance and accounting as well as experience and insights in business to strengthen the auditing system of the Company.

Outside Corporate Auditors attend the Board of Directors and the Board of Corporate Auditors meetings of the Company to express their views and comments on matters for significant decision-making of the Group from an objective standpoint.

An “Auditor, Outside Director and Risk Management Division Communication Meeting,” attended by the corporate auditors (including outside corporate auditors), outside directors, the director in charge of internal control and General Manager of the Risk Management Department, is held once every quarter to mutually exchange opinions and information thereby achieving a common awareness regarding the development and operation status of the internal control system, risks management structure and systems to ensure the appropriateness of Group company operations. The Accounting Auditor also attends this Communication Meeting once a year to provide outside directors and outside corporate auditors with opinions and reports on the status of audits.

The Company judges that their performance of duties above fully operates as an external checking function.

d. Content of the criteria or policies regarding the independence from the Company in appointing outside directors and outside corporate auditors

The independence of outside directors and outside corporate auditors is determined based on the criteria of independence set forth by the financial instrument exchanges at which the Company is listed.

The Company paid ¥4,550,000 (non-consolidated, for the fiscal year ended March 31, 2024) for the electrical work supplied by Kyudenko Corporation. However, as this transaction is relatively small compared to the business scales of the Company and Kyudenko Corporation, it is determined to have no significant effect to the status of independence of Matsuji Nishimura.

As there are no special relationships of interest between the Company and SAIBU GAS HOLDINGS CO., LTD., the Company has determined that there are no circumstances that affect the status of independence of Takuji Kato.

As there are no special relationships of interest between the Company and Kyushu Railway Company, the Company has determined that there are no circumstances that affect the status of independence of Yumi Akagi.

As there are no special relationships of interest between the Company and (National University Corporation) Kyushu Institute of Technology nor between the Company and Kitakyushu Foundation for the Advancement of Industry, Science and Technology, the Company has determined that there are no circumstances that affect the status of independence of Morio Matsunaga.

As there are no special relationships of interest between the Company and Nishi-Nippon Railroad Co., Ltd., the Company has determined that there are no circumstances that affect the status of independence of Sunao Okaku.

e. The Company’s view on electing outside directors and outside corporate auditors

The Company appoints Matsuji Nishimura, Takuji Kato, and Yumi Akagi as outside directors.

Matsuji Nishimura had been engaged in corporate management as the director of Kyudenko Corporation until June 2023. He was nominated as an outside director in our hope of him utilizing his insights and experience on management acquired over the years in the supervision of the Company’s management.

Takuji Kato (appointed as of June 26, 2024) has been engaged in corporate management as the director of Saibugas Co., Ltd. (presently SAIBU GAS HOLDINGS CO., LTD.) since June 2021. He was nominated as an outside director in our hope of him utilizing his insights and experience on management acquired over the years in the supervision of the Company’s management.

Yumi Akagi (appointed as of June 26, 2024) has been engaged in corporate management as the director of Kyushu Railway Company and has extensive insight into diversity & inclusion, promotion of women's advancement and strategies on personnel affairs and public relations that she cultivated through her career. She was nominated as an outside director in our hope of her utilizing such insights and experience in the supervision of the Company's management.

Outside Directors attend the Board of Directors meetings of the Company to express their views and comments on matters for significant decision-making of the Group from an objective standpoint.

The Company has also adopted the corporate officer system, which aims to clearly separate the business execution function from the management decision-making and supervisory functions. This system enhances the decision-making and supervisory functions of the Board of Directors, while accelerating and streamlining business execution. The Company judges that the system sufficiently guarantees the supervisory function of the Board of Directors.

The Company appoints Morio Matsunaga and Sunao Okaku as outside corporate auditors.

Morio Matsunaga has expertise in engineering and has been engaged in organizational management as a college professor and the director/president of a National University Corporation. He was nominated as an outside corporate auditor in our hope of him utilizing his abundant insights and experience to strengthen the auditing system of the Company.

Sunao Okaku has many years of experience in the accounting and finance divisions of Nishi-Nippon Railroad Co., Ltd., and has been involved in management as Director of the Board and other positions at said company since June 2015. He was nominated as an outside corporate auditor in our hope of him utilizing his knowledge of finance and accounting as well as experience and insights in business to strengthen the auditing system of the Company.

Outside Corporate Auditors attend the Board of Directors and the Board of Corporate Auditors meeting of the Company to express their views and comments on matters for significant decision-making of the Group from an objective standpoint.

3) Mutual collaboration between supervisions or audits by outside directors or outside corporate auditors and internal audits, corporate auditors' audits and accounting audits, as well as relationships with the internal control department

Outside Directors receive reports at the Board of Directors about the status of establishment and usage of internal control system, risk management system and system to ensure the appropriateness of Group company operations, and conduct exchanges of opinion and information.

Outside Corporate Auditors receive reports from full-time corporate auditors at the Board of Corporate Auditors about the status and results of the internal audits and those of the corporate auditors' audits, as well as the status of execution of duties by the Accounting Auditor, and conduct exchanges of opinion and information. With regard to the status of establishment and usage of the internal control system, risk management system and system to ensure the appropriateness of Group company operations, Outside Corporate Auditors receive reports at the Board of Directors and the Board of Corporate Auditors, and conduct exchanges of opinion and information therewith. The Accounting Auditor also attends the Board of Corporate Auditors meetings twice a year to provide outside corporate auditors with audit plans, reports on the status of audits, and opinions.

An "Auditor, Outside Director and Risk Management Division Communication Meeting," attended by the corporate auditors (including outside corporate auditors), outside directors, the director in charge of internal control and General Manager of the Risk Management Department, is held once every quarter to mutually exchange opinions and information thereby achieving a common awareness regarding the development and operation status of the internal control system, risks management structure and systems to ensure the appropriateness of Group company operations. The Accounting Auditor also attends this Communication Meeting once a year to provide outside directors and outside corporate auditors with reports on the status of audits and opinions.

(3) Status of Audits

1) Status of corporate auditors' audits

a. Organization, personnel, and procedures for corporate auditors' audits

As of the date of submission of this Annual Securities Report (June 26, 2024), the Board of Corporate Auditors consists of four corporate auditors, including two outside corporate auditors. Audits are conducted in accordance with the audit policy and work assignments determined by the Board of Corporate Auditors.

Full-time Auditor Masaya Honda serves as Chairperson of the Board of Corporate Auditors. Outside Auditor Sunao Okaku has long experience in the accounting and financing departments at Nishi-Nippon Railroad Co., Ltd., and therefore has abundant knowledge in the accounting and finance fields.

The Office of Audit & Supervisory Board Members has been established, as a subordinate organization to the corporate auditors and the Board of Corporate Auditors to assist in their duties. As of the date of submission of this Annual Securities Report (June 26, 2024), a General Manager has been assigned to the Office of Audit & Supervisory Board Members as its dedicated member.

b. Activities of Corporate Auditors and Board of Corporate Auditors

Attendance of the individual corporate auditors to the Board of Corporate Auditors meetings and the Board of Directors meetings during the current fiscal year is shown below.

(Meetings attended / Meetings held)

Title and position	Name	Board of Corporate Auditors meetings	Board of Directors meetings
Full-time Corporate Auditor	Masaya Honda	100% (12/12 times)	100% (13/13 times)
Corporate Auditor	Takaki Goto	100% (12/12 times)	100% (13/13 times)
Corporate Auditor (Outside)	Yuji Hiya	100% (2/2 times)	100% (3/3 times)
Corporate Auditor (Outside)	Morio Matsunaga	100% (12/12 times)	100% (13/13 times)
Corporate Auditor (Outside)	Sunao Okaku	90% (9/10 times)	100% (10/10 times)

(Note) Yuji Hiya resigned as corporate auditor as of June 29, 2023.
Sunao Okaku was appointed as corporate auditor as of June 29, 2023.

The Board of Corporate Auditors received reports on the progress of business audits from the full-time auditor as well as reports on audit results, etc. from the Accounting Auditor, and held discussions, and made resolutions on matters including audit policies and plans, the division of duties, the preparation of the audit report of the Board of Corporate Auditors, matters relating to the evaluation and determination of reappointment of the Accounting Auditor, and consent with the remuneration, etc. for the Accounting Auditor. The numbers of agenda items discussed at the Board of Auditors meeting held during the current fiscal year were 18 matters reported and 12 matters resolved.

Corporate Auditors attended meetings of the Board of Directors, etc., and received reports on the status of the execution of duties by directors, etc. and requested explanations as necessary. In addition, Corporate Auditors hold the Auditor, Outside Director and Risk Management Division Communication Meeting with Directors and the internal control department every quarter to share the status of risk management at the Company and exchange opinions.

The full-time corporate auditor attended the meetings of the Board of Directors, the Management Council, the Corporate Officers' Conference, the Sustainability Promotion Committee, the Internal Control Committee, the Digital Innovation Committee, and other important internal meetings, received reports from directors and employees on the status of execution of their duties, requested explanations as needed, inspected important decision-making documents, etc., and inspected the status of the operations and assets of the Company's major divisions and departments and Group companies. In addition, the full-time corporate auditor holds a communication meeting with the internal control department every month, in principle, to exchange information and also meets and exchanges opinions with them as and when necessary. As for communication with the Accounting Auditor, the full-time auditor received reports on the status and results of the audit, requested explanations as necessary, and during the identification process of key audit matters (KAM), engaged in active exchanges of opinions about various matters, including changes from the previous fiscal year in the Company's risk recognition.

2) Status of internal audits

a. Organization, personnel and procedures for internal audit

The Risk Management Department is set up as a department that supports the formulation of basic policies on the establishment, operation and assessment of the internal control system of the Group and conducts internal auditing of the operation thereof.

As of the date of submission of this Annual Securities Report (June 26, 2024), the Risk Management Department consisted of one concurrently-serving General Manager and five dedicated staff.

The Risk Management Department conducts internal audit on the Company and the Group companies to assess the appropriateness and effectiveness of the internal control system and the autonomous internal control activities and to contribute to their improvement. The audit results are communicated to the respective corporate officials as feedback to encourage improvements, and the outline of the results is reported to the Internal Control Committee.

b. Mutual collaboration among internal audits, corporate auditors' audits and accounting audits, as well as the relationships between these audits and the internal control department

The Risk Management Department strives to share awareness with corporate auditors and the Accounting Auditor through collaboration therewith, including conducting exchanges of opinion and information with full-time corporate auditors and the Accounting Auditor as necessary, with regard to the establishment and operation of the internal control system of the Group.

The Risk Management Department also holds a communication meeting regularly with full-time corporate auditors to exchange opinions and information with them regarding risk management, which they received when conducting business such as internal audits.

The full-time corporate auditors strive to share awareness with the Risk Management Department and the Accounting Auditor through collaboration therewith, including conducting exchanges of opinion and information, as necessary.

In addition, full-time corporate auditors and the Accounting Auditor regularly engage in explanation of audit plans, explanation of status of quarterly reviews and opinion exchange, explanation of annual audit results and opinion exchange, discussion of status of establishment and operation of internal control, among other things, and communicate with each other as required.

In addition to the above efforts, we have established dual reporting lines and strive to ensure the effectiveness of internal audits by such means as holding the Auditor, Outside Director and Risk Management Division Communication Meeting mentioned earlier.

3) Status of accounting audits

a. Name of audit corporation

KPMG AZSA LLC

b. Consecutive auditing period

18 years

c. Certified Public Accountants engaged in the accounting audit services

- KPMG AZSA LLC Designated liability-limited and engagement partner Yoshinao Abe (2 years of continuous involvement including the fiscal year under review)
- KPMG AZSA LLC Designated liability-limited and engagement partner Takahiro Toyama (2 years of continuous involvement including the fiscal year under review)

d. Assistants for the accounting audits

Assistants for the accounting audits were six Certified Public Accountants, one person who passed the CPA Examination, and 11 other staffers.

e. Policy and reason for selecting audit corporation

The Board of Corporate Auditors has decided on the following as the Policy on the Dismissal or Non-reappointment of the Accounting Auditor.

1) In the event that the Accounting Auditor is deemed to fall under any one of the items in Article 340, Paragraph 1 of the Companies Act, the Board of Corporate Auditors shall dismiss the Accounting Auditor with the consent of all the corporate auditors.
2) In the event that the continuation of audits by the Accounting Auditor is considerably hindered, the Board of Corporate Auditors shall determine the contents of the proposals related to the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

As KPMG AZSA LLC, the Accounting Auditor for the 133rd fiscal year, was not deemed to fall under the policy above, and the assessment of KPMG AZSA LLC found no problems, as stated in “f. Assessment of the audit corporation by the corporate auditors and the Board of Corporate Auditors,” the Board of Corporate Auditors resolved to reappoint KPMG AZSA LLC based on the judgment that such reappointment would be appropriate at the Board of Corporate Auditors meeting held on May 22, 2024.

f. Assessment of the audit corporation by the corporate auditors and the Board of Corporate Auditors

Corporate Auditors and the Board of Corporate Auditors assessed KPMG AZSA LLC in accordance with “Criteria for Appropriately Assessing the Accounting Auditor” among “Criteria for Appropriately Selecting Candidates for the Accounting Auditor and Appropriately Assessing the Accounting Auditor” as established by the Board of Corporate Auditors, to consider whether to reappoint the audit corporation as the Accounting Auditor for the 134th fiscal year as in the 133rd fiscal year.

The following assessment criteria have been established in “Criteria for Appropriately Assessing the Accounting Auditor.”

1) Quality control of the Audit Corporation
2) Audit team
3) Compensation for corporate auditors
4) Communication with corporate auditors and the Board of Corporate Auditors
5) Relationship with management, etc.
6) Group audit
7) Fraud risk

As the assessment of KPMG AZSA LLC in light of the assessment criteria above based on the reports, explanations, and questions and answers in the communication between the corporate auditors and the Accounting Auditor found no problems, the Board of Corporate Auditors resolved to reappoint KPMG AZSA LLC based on the judgment that such reappointment would be appropriate at the Board of Corporate Auditors meeting held on May 22, 2024.

4) Details of Compensation for Corporate Auditors

a. Details of compensation for auditing certified public accountants

(Millions of yen)

Classification	Previous fiscal year		Current fiscal year	
	Compensation in accordance with audit certification	Compensation in accordance with non-audit certification	Compensation in accordance with audit certification	Compensation in accordance with non-audit certification
The Filing Company	51	―	51	―
Total	51	―	51	―

b. Compensation to the same network (KPMG Group) as auditing certified public accountants (excluding a.)

(Millions of yen)

Classification	Previous fiscal year		Current fiscal year	
	Compensation in accordance with audit certification	Compensation in accordance with non-audit certification	Compensation in accordance with audit certification	Compensation in accordance with non-audit certification
The Filing Company	―	5	―	2
Consolidated subsidiary	22	0	28	0
Total	22	5	28	2

The details of non-audit work for the Filing Company consist of tax advisory services.

In addition, the details of non-audit work for consolidated subsidiaries mainly consist of other attestation services.

c. Details of compensation in accordance with other important audit certification services

Not applicable

d. Policies concerning decision of auditing compensation

Not applicable

e. Reasons for the Board of Corporate Auditors' consent to compensation for the Accounting Auditor

The reason why the Board of Corporate Auditors of the Company gave its consent specified in Article 399, Paragraph 1 of the Companies Act to the compensation for the Accounting Auditor proposed by directors is because a comparison of the compensation for competing corporate auditors with similar scale and the hourly compensation rate for corporate auditors based on information disclosed by the Japanese Institute of Certified Public Accountants with the compensation for corporate auditors of the Company's showed that the total amount of compensation for corporate auditors of the Company can be deemed appropriate.

(4) Compensation to Directors and Corporate Auditors

1) Matters relating to the policy on the determination of the amount of compensation for directors and corporate auditors or the method of calculating such amount

a. Policy concerning the decision on the amounts of compensations paid to directors and calculation method (including the policy on determination on details of compensation for each director)

i) Compensation system for directors and corporate auditors in FY2023 (April 2023 to the day of the General Meeting of Shareholders held in June 2024)

1) Determination of the policy on determination of the details of compensation for each director (hereinafter "the Policy on Determination of Directors' Compensation")

A draft of the Policy on Determination of Directors' Compensation was submitted to and deliberated at the Directors and Corporate Auditors Compensation Advisory Council meeting held on February 26, 2021, which was chaired by the Representative Director, President and comprised four outside directors and corporate auditors appointed by the Representative Director, President. According to the report from

Directors and Corporate Auditors Compensation Advisory Council, the Policy on Determination of Directors' Compensation was resolved at the Board of Directors meeting held on February 26, 2021.

2) Outline of the Policy on Determination of Directors' Compensation

The outline of the Policy on Determination of Directors' Compensation is as follows.

- Basic policy (including the policy to determine when or under what conditions compensation is paid)
  The compensation for directors of the Company shall consist entirely of monthly cash compensation. The compensation shall be comprised of basic compensation as fixed compensation and performance-based compensation including incentives granted towards the sustainable growth of the Group and the enhancement of corporate value.
  Specifically, the amount of basic compensation shall be calculated using an index of basic compensation for each position. The index shall be determined by considering compensation levels corresponding to capabilities and responsibilities required for each position. The amount of compensation for each director is determined by reflecting the business performance addition in accordance with the consolidated ordinary profit or loss of the Company, within the range approved by resolution of the shareholders' meetings.
  Compensation for part-time directors with supervisory functions shall consist only of basic compensation, given their duties.
- Policy on determination of the details and amount of performance-based compensation or the calculation method thereof
  Consolidated ordinary profit or loss for each fiscal year is used as financial data related to performance-based compensation, which is the profit earned from the entire business including the core business, and represents an assessment of the performance of the enterprise as a whole. The business performance addition rate by which the basic compensation is multiplied shall be calculated with the following formula:
  Business performance addition rate = Amount of consolidated ordinary profit / Amount of consolidated ordinary profit of target business performance addition × Index
- Policy on determination of the ratio of the amount of monetary compensation or performance-based compensation to the amount of each director's compensation
  The ratio of the amount of basic compensation and performance-based compensation to the amount of each director's compensation shall change depending on the business performance addition rate by which the basic compensation is multiplied.
- Matters concerning the determination on the details of compensation for each director
  Following the establishment of an upper limit on the compensation for directors by resolution of the General Meeting of Shareholders, the specific allocation of the compensation for directors is left to the discretion of the Representative Director, President in accordance with internal regulations on directors' annual income of the Company, by resolution of the Board of Directors. Specifically, the Representative Director, President assesses the performance of each director (excluding part-time directors) and, based on the assessment, decides on the allocation of compensation for the directors at his discretion.
  In order to reinforce the independence, objectivity and accountability of the Board of Directors with respect to the compensation of directors and corporate auditors, a voluntary advisory council (Directors and Corporate Auditors Compensation Advisory Council) shall be established. The council meetings are held regularly (once a year in principle) or when required. The council meetings shall be chaired by the Representative Director, President and shall comprise outside directors appointed by the Representative Director, President. The council shall deliberate on matters relating to the basic policy on compensation for directors and corporate auditors and report on them to the Board of Directors.

3) Reason why the Board of Directors determined that the details of compensation for each director for the current fiscal year comply with the Policy on Determination of Directors' Compensation

At the Directors and Corporate Auditors Compensation Advisory Council meeting held on May 22, 2024, the members deliberated the compliance of the details of compensation for each director for the current fiscal year with the Policy on Determination of Directors' Compensation, and reported to the Board of Directors. Respecting the report, the Board of Directors determined at its meeting held on May

22, 2024 that the details of the compensation comply with the Policy on Determination of Directors' Compensation.

ii) Compensation system for directors and corporate auditors from FY2024 onward (from the day of the General Meeting of Shareholders held in June 2024 onward)

1) Determination of the policy on determination of the details of compensation for each director (hereinafter "the Policy on Determination of Directors' Compensation")

A draft of a revision to the Policy on Determination of Directors' Compensation was submitted to and deliberated at the Directors and Corporate Auditors Compensation Advisory Council meeting held on May 22, 2024 (Chairperson: Representative Director, President Kazuhiro Egawa, Members: Outside Directors Matsuji Nishimura and Masako Narita). According to the report from Directors and Corporate Auditors Compensation Advisory Council, the revision to the Policy on Determination of Directors' Compensation was resolved at the Board of Directors meeting held on May 22, 2024.

2) Outline of the Policy on Determination of Directors' Compensation

The outline of the revision to the Policy on Determination of Directors' Compensation is as follows.

● Basic policy (including the policy to determine when or under what conditions compensation is paid)

The compensation for directors of the Company shall consist entirely of monthly cash compensation. The compensation shall be comprised of basic compensation as fixed compensation and performance-based compensation including incentives granted towards the sustainable growth of the Group and the enhancement of corporate value.

Specifically, the amount of basic compensation shall be calculated using an index of basic compensation for each position. The index shall be determined by considering compensation levels corresponding to capabilities and responsibilities required for each position. The amount of compensation for each director is determined by reflecting the business performance addition in accordance with the consolidated financial results of the Company, within the range approved by resolution of the shareholders' meetings.

Compensation for part-time directors with supervisory functions shall consist only of basic compensation, given their duties.

● Performance-based compensation shall consist of short-term performance-based compensation or compensation based on the evaluation of contributions to strengthening the management base depending on the director's position.

1) Short-term performance-based compensation shall be for directors who are responsible primarily for business execution (excluding the Representative Director, President). It shall be linked to the consolidated ordinary profit, which succinctly reflects business performance and profitability of the Company, thereby ensuring their timely reflection in compensation for directors and corporate auditors. The business performance addition rate by which the basic compensation is multiplied shall be calculated with the following formula:
Business performance addition rate = Amount of consolidated ordinary profit / Amount of consolidated ordinary profit of target business performance addition × Index

2) Compensation based on the evaluation of contributions to strengthening the management base shall be for the Representative Director, President, and a comprehensive evaluation of matters, including his or her contributions to and efforts for strengthening the sustainability management base based on the medium- to long-term vision to meet stakeholders' expectations as well as short-term financial results, such as consolidated ordinary profit shall be reflected in compensation. The adjustments for a comprehensive evaluation shall be in the range of basic compensation ± 15%.

● Policy on determination of the ratio of the amount of monetary compensation or performance-based compensation to the amount of each director's compensation

The ratio of the amount of basic compensation and performance-based compensation to the amount of each director's compensation shall change depending on the business performance addition rate by which the basic compensation is multiplied.

● Matters concerning the determination on the details of compensation for each director

Following the establishment of an upper limit on the compensation for directors by resolution of the General Meeting of Shareholders, the specific allocation of the compensation for directors is left to the discretion of the Representative Director, President in accordance with internal regulations on directors' annual income of the Company, by resolution of the Board of Directors. Specifically, the Representative Director, President assesses the performance of each director (excluding part-time directors) and, based on the assessment, decides on the allocation of compensation for the directors at his or her discretion.

In order to reinforce the independence, objectivity and accountability of the Board of Directors with respect to the compensation of directors and corporate auditors, a voluntary advisory council (Directors and Corporate Auditors Compensation Advisory Council) shall be established. The council meetings are held regularly (once a year in principle) or when required. The council meetings shall be chaired by the Representative Director, President and shall comprise outside directors and corporate auditors appointed by the Representative Director, President. At the council meetings, matters relating to the basic policy on compensation for directors and corporate auditors shall be deliberated and reported to the Board of Directors.

b. Policy concerning the decision on the amounts of compensations paid to corporate auditors and calculation method

Not applicable. (Following the establishment of an upper limit on the compensation for corporate auditors by resolution of the General Meeting of Shareholders, the specific allocation of the compensation for corporate auditors is left to the discretion of full-time corporate auditors in accordance with internal regulations on corporate auditors' annual income of the Company, by deliberation of the corporate auditors.)

c. Resolution of the General Meeting of Shareholders concerning compensation for directors and corporate auditors

1) Compensation for directors

Date of resolution: Annual Shareholders' Meeting for the 128th fiscal year held on June 27, 2019

Details of resolution: No more than ¥385 million annually (of which the amount for outside directors is no more than ¥32 million annually, excluding the employee portion of salaries of employees concurrently serving as directors)

Number of officers: 10 (2 of whom are outside directors)

2) Compensation for corporate auditors

Date of resolution: Annual Shareholders' Meeting for the 128th fiscal year held on June 27, 2019

Details of resolution: No more than ¥94 million annually

Number of officers: 4

d. Decision-making authority for policy on determination of the amount of compensation for directors and corporate auditors and the method of calculation of such amount

1) Compensation for directors

Following the establishment of an upper limit on the compensation for directors by resolution of the General Meeting of Shareholders, the specific allocation of the compensation for directors is left to the discretion of the Representative Director, President in accordance with internal regulations on directors' annual income of the Company, by resolution of the Board of Directors.

For the current fiscal year, matters relating to the basic policy on compensation for directors and corporate auditors were deliberated at the Directors and Corporate Auditors Compensation Advisory Council meeting held on May 23, 2023 and reported to the Board of Directors. At the Board of Directors meeting held on June 29, 2023, it was resolved that the specific allocation of the compensation for directors would be left to the discretion of Representative Director, President Kazuhiro Egawa in accordance with internal regulations on directors' annual income of the Company. Specifically, the Representative Director, President assesses the performance of each director (excluding part-time directors) and, based on the assessment, decides on the allocation of compensation for the directors at his discretion.

The reason why it was resolved to leave the matter to the discretion of the Representative Director, President is that the Representative Director, President is the most appropriate person to assess the performance of each director (excluding part-time directors) while taking into account the business performance of the Company as a whole.

In order to reinforce the independence, objectivity and accountability of the Board of Directors with respect to the compensation of directors and corporate auditors, a voluntary advisory council (Directors and Corporate Auditors Compensation Advisory Council) has been established. The council meetings are held regularly (once a year in principle) or when required. The council meetings are chaired by the Representative Director, President and comprise outside directors appointed by the Representative

Director, President. At the council meetings, matters relating to the basic policy on compensation for directors and corporate auditors are deliberated and reported to the Board of Directors.

2) Compensation for corporate auditors

Following the establishment of an upper limit on the compensation for corporate auditors by resolution of the General Meeting of Shareholders, the specific allocation of the compensation for corporate auditors is left to the discretion of the full-time corporate auditor in accordance with internal regulations on corporate auditors' annual income of the Company, by deliberation of the corporate auditors.

e. Policy on determination of the amount of compensation for directors and corporate auditors and the method of calculation of such amount by position

Not applicable.

f. Overview of procedures for Directors and Corporate Auditors Compensation Advisory Council

In order to reinforce the independence, objectivity and accountability of the Board of Directors with respect to the compensation of directors and corporate auditors, a voluntary advisory council (Directors and Corporate Auditors Compensation Advisory Council) has been established. The council meetings are held regularly (once a year in principle) or when required. The council meetings are chaired by the Representative Director, President and comprise outside directors appointed by the Representative Director, President. At Directors and Corporate Auditors Compensation Advisory Council, matters relating to the basic policy on compensation for directors and corporate auditors are deliberated and reported to the Board of Directors.

g. Details of activities of the Board of Directors and Directors and Corporate Auditors Compensation Advisory Council during the process of determining the amount of compensation for directors and corporate auditors

The Directors and Corporate Auditors Compensation Advisory Council (Chairperson: Representative Director, President Kazuhiro Egawa, Members: outside directors Matsuji Nishimura, Yukinori Michinaga, and Masako Narita) was held on May 23, 2023 to deliberate on matters relating to the basic policy on compensation for directors and corporate auditors and report them to the Board of Directors. At the Board of Directors meeting held on June 29, 2023, it was resolved that the specific allocation of the compensation for directors would be left to the discretion of Representative Director, President Kazuhiro Egawa in accordance with internal regulations on directors' annual income of the Company.

h. Policy on the determination of the payment ratio of performance-based compensation and compensation other than performance-based compensation

The ratio of the amount of basic compensation and performance-based compensation to the amount of each director's compensation shall change depending on the business performance addition rate by which the basic compensation is multiplied.

The determination of compensation for the corporate auditors is made in the same manner.

i. Financial data related to short-term performance-based compensation

1) Financial data

Consolidated ordinary profit or loss for each fiscal year

2) Reason for selecting the financial data

We have selected consolidated ordinary profit or loss, which is the profit earned from the entire business including the core business, and represents an assessment of the performance of the enterprise as a whole.

3) Method of determination of the amount of performance-based compensation

The business performance addition rate by which the basic compensation is multiplied shall be calculated with the following formula:

Business performance addition rate = Amount of consolidated ordinary profit / Amount of consolidated ordinary profit of target business performance addition × Index

j. Target for and the result of the financial data for the current fiscal year

1) Target

Consolidated ordinary profit for the 133rd fiscal year: ¥15,500 million (forecast announced on January 31, 2024)

2) Result

Consolidated ordinary profit for the 133rd fiscal year: ¥16,389 million

2) Total amount of compensation of the Filing Company by category of officer and type of compensation, and the number of paid officers

Category of officer	Total amount (Millions of yen)	Total amount by type of compensation (Millions of yen)			Number of officers (Persons)
		Fixed compensation	Performance-based compensation	Retirement benefits	
Directors (excluding outside directors)	266	203	63	―	7
Corporate Auditors (excluding outside corporate auditors)	31	23	7	―	1
Outside directors and outside corporate auditors	47	47	―	―	6

(Note) In the fiscal year ended March 31, 2024, no non-monetary compensation was paid.

3) Total amount of consolidated compensations by officer

Statement is omitted as none of officers of the Filing Company received aggregated consolidated compensations of ¥100 million or more.

4) Significant matters regarding the employee portion of salaries of employees concurrently serving as officers

Not applicable.

(5) Status of securities held by the Company

1) Criteria for and approach to classification of investment securities

Regarding the classification of investment securities held for pure investment purposes and investment securities held for purposes other than pure investment, the Company classifies securities held solely for the purpose of gaining profit from fluctuations in the value of securities or from dividends associated with securities as investment securities for pure investment purposes, and other securities as investment securities for purposes other than pure investment.

2) Individual investment securities held for purposes other than pure investment

a. Method of verification of policy on shareholding and the rationale of shareholding as well as the details of verification of whether holding individual stock names is appropriate at meetings such as meetings of the Board of Directors

1) Shareholding policy

The Company may acquire and hold securities (cross-shareholdings) of business partners (investment targets) if the Company judges that such acquisition contributes to the enhancement of the Group's medium- to long-term corporate value, from the perspective of building stable, long-term business relationships with business partners, forming business partnerships, and facilitating or reinforcing cooperative business development. Cross-shareholdings that do not conform to such criteria shall be reduced.

2) Method of verifying rationale of shareholding

With respect to individual cross-shareholdings (specified investment securities whose statement is required by the Annual Securities Report and deemed shareholdings), the Company has established assessment criteria based on i. whether or not individual cross-shareholdings would contribute to the enhancement of the Group's medium- to long-term corporate value, ii. whether or not major scandals have been identified at the investment target, iii. whether or not major changes have taken place in business relationships between the investment target and the Group (those that would adversely affect the Group), iv. whether or not the investment target would continue not to pay dividends, v. the investment target's profit/loss situation, and vi. the investment target's equity ratio. At the meetings of the Board of Directors held each May, the appropriateness of holding such shares is verified.

3) Details of verification of whether or not holding of individual stock names is appropriate at meetings such as meetings of the Board of Directors

At the meeting of the Board of Directors held on May 22, 2024, verification was conducted on the cross-shareholdings of the Company as of March 31, 2024. As a result, a portion of shares whose purpose of holding was diluted was judged “inappropriate for holding” and the termination and sale of such holding would be considered. Other shares were deemed “appropriate for holding” and holding such shares would continue.

b. Number of shares names and amount stated on balance sheets

	Number of shares (Shares)	Amount stated on balance sheets (Millions of yen)
Unlisted shares	23	73
Shares other than unlisted shares	13	6,031

(Share names for which the number of shares increased during the current fiscal year)

	Number of shares (Shares)	Amount of purchase price relating to the increase in number of shares (Millions of yen)	Reason for increase in the number of shares
Unlisted shares	－	－	－
Shares other than unlisted shares	4	8	Purchase through business partner’s shareholding association.

(Share names for which the number of shares decreased during the current fiscal year)

	Number of shares (Shares)	Amount of sales price relating to the decrease in number of shares (Millions of yen)
Unlisted shares	2	0
Shares other than unlisted shares	1	1,888

c. Information concerning number of shares of specified investment securities[*1] and deemed shareholdings[*2] by stock name and amount stated on the balance sheets, etc.

*1: Specified investment securities: listed investment shares (excluding shares of subsidiaries and associates) held for purposes other than pure investment (investment made exclusively to benefit from capital gains and/or dividend income)

*2: Deemed shareholdings: listed shares for which the Company has authority to vote for purposes other than pure investment, normally based on a trust agreement

Specified investment securities

Stock name	Current fiscal year	Previous fiscal year	Purpose of holding, overview of business alliance, quantitative effect of holding (Note) 4 and reason for increase in number of shares	Whether or not the Company's shares are held
	Number of shares (Shares)	Number of shares (Shares)		
	Amount stated on balance sheets (Millions of yen)	Amount stated on balance sheets (Millions of yen)		
YASKAWA Electric Corporation	500,000	500,000	YASKAWA Electric Corporation and the Company have a deep historical and regional relationship and cooperates in making regional contributions. The Company holds their shares for the purpose of maintaining and developing a good relationship.	Yes
	3,171	2,885		
Sumitomo Mitsui Financial Group, Inc.	78,875	78,875	Sumitomo Mitsui Financial Group, Inc. is a stable and flexible source of funds required to execute the business strategies of the Company. The Company holds their shares for the purpose of maintaining and strengthening financial transactions.	No
	702	417		
Mizuho Financial Group, Inc.	224,418	224,418	Mizuho Financial Group, Inc. is a stable and flexible source of funds required to execute the business strategies of the Company. The Company holds their shares for the purpose of maintaining and strengthening financial transactions.	No
	683	421		
Mitsubishi UFJ Financial Group, Inc.	431,480	431,480	Mitsubishi UFJ Financial Group, Inc. is a stable and flexible source of funds required to execute the business strategies of the Company. The Company holds their shares for the purpose of maintaining and strengthening financial transactions.	No (Note) 5
	671	365		

Stock name	Current fiscal year Number of shares (Shares) Amount stated on balance sheets (Millions of yen)	Previous fiscal year Number of shares (Shares) Amount stated on balance sheets (Millions of yen)	Purpose of holding, overview of business alliance, quantitative effect of holding (Note) 4 and reason for increase in number of shares	Whether or not the Company's shares are held
Sumitomo Mitsui Trust Holdings, Inc.	71,054 235	35,527 161	Sumitomo Mitsui Trust Holdings, Inc. is a stable and flexible source of funds required to execute the business strategies of the Company. The Company holds their shares for the purpose of maintaining and strengthening financial transactions. The increase in the number of shares is due to a stock split.	No
Chubu Steel Plate Co., Ltd.	69,766 184	68,955 163	Chubu Steel Plate Co., Ltd. is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business. The increase in the number of shares is due to purchases through the business partner's shareholding association.	No
Daido Steel Co., Ltd.	67,586 122	12,869 66	Daido Steel Co., Ltd. is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business. The increase in the number of shares is due to purchases through the business partner's shareholding association and a stock split.	No
Topy Industries, Ltd.	44,200 119	44,200 87	Topy Industries, Ltd. is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business.	Yes

Stock name	Current fiscal year Number of shares (Shares) Amount stated on balance sheets (Millions of yen)	Previous fiscal year Number of shares (Shares) Amount stated on balance sheets (Millions of yen)	Purpose of holding, overview of business alliance, quantitative effect of holding (Note) 4 and reason for increase in number of shares	Whether or not the Company's shares are held
GODO STEEL, Ltd.	7,500 42	7,500 25	GODO STEEL, Ltd. is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business.	No
AICHI STEEL CORPORATION	8,590 34	8,132 19	AICHI STEEL CORPORATION is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business. The increase in the number of shares is due to purchases through the business partner's shareholding association.	No
OSAKA STEEL CO., LTD.	13,400 29	13,400 17	OSAKA STEEL CO., LTD. is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business.	No
Nippon Yakin Kogyo Co., Ltd.	3,833 18	3,654 15	Nippon Yakin Kogyo Co., Ltd. is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business. The increase in the number of shares is due to purchases through the business partner's shareholding association.	No

Stock name	Current fiscal year Number of shares (Shares) Amount stated on balance sheets (Millions of yen)	Previous fiscal year Number of shares (Shares) Amount stated on balance sheets (Millions of yen)	Purpose of holding, overview of business alliance, quantitative effect of holding (Note) 4 and reason for increase in number of shares	Whether or not the Company's shares are held
MITSUBISHI STEEL MFG. CO., LTD.	9,500	9,500	MITSUBISHI STEEL MFG. CO., LTD. is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business.	No
	14	11		
IFGL Refractories Limited	―	5,590,156	The Company does not hold any shares in IFGL Refractories Limited as of the end of the current fiscal year.	No
	―	1,908		

(Notes) 1. "―" denotes that such stock names are not held.

2. The first 8 stock names each contribute to over 1% of the equity of the Company as stated on the balance sheets.
3. Specified investment securities and deemed shareholdings are excluded when determining the stock names of the Company's major stockholdings stated on the balance sheets.
4. It is difficult to state the quantitative effect of holding securities. The rationale of holding is verified as stated in "2) Individual investment securities held for purposes other than pure investment," "a. Method of verification of policy on shareholding and the rationale of shareholding as well as the details of verification of whether holding individual stock names is appropriate at meetings such as meetings of the Board of Directors" of (5) Status of securities held by the Company.
5. Although Mitsubishi UFJ Financial Group, Inc. does not hold shares of the Company, its subsidiaries, MUFG Bank, Ltd. and Mitsubishi UFJ Trust and Banking Corporation, hold shares of the Company.

Deemed shareholdings

Stock name	Current fiscal year	Previous fiscal year	Purpose of holding, overview of business alliance, quantitative effect of holding (Note) 2 and reason for increase in number of shares	Whether or not the Company's shares are held
	Number of shares (Shares)	Number of shares (Shares)		
	Amount stated on balance sheets (Millions of yen)	Amount stated on balance sheets (Millions of yen)		
Fukuoka Financial Group, Inc.	450,600	450,600	The shares held to facilitate operations related to capital and finance are contributed to retirement benefit trust (the Company has the right to exercise voting rights)	No (Note) 3
	1,823	1,148		
JFE Holdings, Inc.	164,000	164,000	The shares held to facilitate operations related to products and services are contributed to retirement benefit trust (the Company has the right to exercise voting rights)	No
	416	275		
Daido Steel Co., Ltd.	168,000	33,600	The shares held to facilitate operations related to products and services are contributed to retirement benefit trust (the Company has the right to exercise voting rights). The increase in the number of shares is due to a stock split.	No
	305	174		

(Notes) 1. Specified investment securities and deemed shareholdings are excluded when determining the stock names of the Company's major stockholdings stated on the balance sheets.
2. It is difficult to state the quantitative effect of holding securities. The rationale of holding is verified as stated in "2) Individual investment securities held for purposes other than pure investment," "a. Method of verification of policy on shareholding and the rationale of shareholding as well as the details of verification of whether holding individual stock names is appropriate at meetings such as meetings of the Board of Directors" of (5) Status of securities held by the Company.
3. Although Fukuoka Financial Group, Inc. does not hold shares of the Company, its subsidiary, The Bank of Fukuoka, Ltd., holds shares of the Company.

3) Investment securities for pure investment purposes

Not applicable.

4) Securities for which the purpose of holding investment securities was changed from pure investment to a purpose other than pure investment

Not applicable.

5) Securities for which the purpose of holding investment securities was changed from a purpose other than pure investment to pure investment

Not applicable.

V. Financial Information

1. Preparation method of the consolidated financial statements and non-consolidated financial statements

(1) The consolidated financial statements of the Company are prepared in accordance with the "Ordinance on the Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The non-consolidated financial statements of the Company are prepared in accordance with the "Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements" (Ordinance of the Ministry of Finance No. 59 of 1963, hereinafter "the Ordinance for Non-Consolidated Financial Statements").

The Company falls under the category of specially provided financial statement-submitting company, and prepares its non-consolidated financial statements in accordance to Article 127 of the Ordinance for Non-Consolidated Financial Statements.

2. Audit certification

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's consolidated financial statements and non-consolidated financial statements for the fiscal year (from April 1, 2023 to March 31, 2024) were audited by KPMG AZSA LLC.

3. Specific efforts to secure the appropriateness of the consolidated financial statements, etc.

As specific efforts to secure the appropriateness of the consolidated financial statements, etc., the Company holds membership in the Financial Accounting Standards Foundation and attends seminars provided by audit corporations, etc., to ensure the correct understanding of the corporate accounting standards.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

		Previous fiscal year (As of March 31, 2023)		Current fiscal year (As of March 31, 2024)
Assets				
Current assets				
Cash and deposits		4,426		8,484
Notes and accounts receivable - trade, and contract assets	*5	55,180	*3, *5	63,677
Merchandise and finished goods		18,282		18,460
Work in process	*4	4,168	*4	4,651
Raw materials and supplies		16,995		16,025
Other		9,606		8,485
Allowance for doubtful accounts		(435)		(619)
Total current assets		108,224		119,166
Non-current assets				
Property, plant and equipment				
Buildings and structures		45,810		47,798
Accumulated depreciation		(30,956)		(32,106)
Buildings and structures, net		14,854		15,692
Machinery, equipment and vehicles		73,257		77,785
Accumulated depreciation		(58,667)		(60,970)
Machinery, equipment and vehicles, net		14,589		16,815
Tools, furniture and fixtures		5,662		6,302
Accumulated depreciation		(4,385)		(4,665)
Tools, furniture and fixtures, net		1,277		1,637
Land		6,691		6,758
Construction in progress		1,897		1,789
Total property, plant and equipment		39,310		42,693
Intangible assets				
Goodwill		3,852		3,733
Other		514		557
Total intangible assets		4,366		4,290
Investments and other assets				
Investment securities	*1	7,580	*1	6,838
Retirement benefit asset		2,302		4,348
Deferred tax assets		147		157
Other	*1	1,633	*1	1,753
Allowance for doubtful accounts		(225)		(229)
Total investments and other assets		11,439		12,869
Total non-current assets		55,116		59,852
Total assets		163,340		179,019

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	7,458	6,443
Accounts payable - trade	17,580	19,111
Short-term borrowings	10,918	14,386
Commercial papers	11,000	3,000
Income taxes payable	1,552	2,884
Provision for bonuses	3,212	3,828
Provision for loss on construction contracts	*4 27	*4 111
Asset retirement obligations	-	45
Other	*6 9,427	*6 8,871
Total current liabilities	61,177	58,683
Non-current liabilities		
Long-term borrowings	17,465	19,495
Deferred tax liabilities	2,160	2,884
Provision for retirement benefits for directors (and other officers)	438	491
Retirement benefit liability	505	547
Asset retirement obligations	25	137
Other	3,708	4,081
Total non-current liabilities	24,304	27,638
Total liabilities	85,481	86,321
Net assets		
Shareholders' equity		
Share capital	5,537	5,537
Capital surplus	1,971	1,971
Retained earnings	62,572	72,125
Treasury shares	(1,654)	(1,669)
Total shareholders' equity	68,427	77,965
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,549	3,408
Deferred gains or losses on hedges	155	15
Foreign currency translation adjustment	520	3,545
Remeasurements of defined benefit plans	875	2,231
Total accumulated other comprehensive income	5,101	9,200
Non-controlling interests	4,330	5,531
Total net assets	77,858	92,697
Total liabilities and net assets	163,340	179,019

2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Millions of yen)

		Previous fiscal year (From April 1, 2022 to March 31, 2023)		Current fiscal year (From April 1, 2023 to March 31, 2024)
Net sales	*1	165,202	*1	177,029
Cost of sales	*8, *9	134,570	*8, *9	141,652
Gross profit		30,631		35,377
Selling, general and administrative expenses	*2, *6	19,458	*2, *6	20,684
Operating profit		11,173		14,692
Non-operating income				
Interest income		28		38
Dividend income		232		181
Share of profit of entities accounted for using equity method		423		366
Foreign exchange gains		827		1,324
Other		472		866
Total non-operating income		1,983		2,777
Non-operating expenses				
Interest expenses		500		534
Loss on removal of non-current assets		355		201
Other		216		344
Total non-operating expenses		1,072		1,080
Ordinary profit		12,083		16,389
Extraordinary income				
Gain on sale of non-current assets	*3	123	*3	857
Gain on sale of investment securities		1		1,545
Gain on sales of investments in capital		118		-
Total extraordinary income		243		2,402
Extraordinary losses				
Loss on sale of non-current assets	*4	49	*4	14
Loss on retirement of non-current assets	*5	67	*5	216
Impairment losses		-	*7	174
Other		-		0
Total extraordinary losses		117		406
Profit before income taxes		12,209		18,385
Income taxes - current		3,019		4,862
Income taxes - deferred		180		100
Total income taxes		3,199		4,963
Profit		9,009		13,422
Profit attributable to non-controlling interests		727		1,006
Profit attributable to owners of parent		8,282		12,416

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Profit	9,009	13,422
Other comprehensive income		
Valuation difference on available-for-sale securities	1,716	(141)
Deferred gains or losses on hedges	(44)	(139)
Foreign currency translation adjustment	1,306	3,345
Remeasurements of defined benefit plans, net of tax	74	1,355
Share of other comprehensive income of entities accounted for using equity method	105	46
Total other comprehensive income	*1 3,158	*1 4,466
Comprehensive income	12,168	17,889
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,346	16,515
Comprehensive income attributable to non-controlling interests	821	1,373

3) Consolidated Statements of Changes in Net Assets

For the previous fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,537	2,000	57,419	(1,650)	63,308
Changes during period					
Dividends of surplus			(1,768)		(1,768)
Profit attributable to owners of parent			8,282		8,282
Purchase of treasury shares				(4)	(4)
Change in scope of equity method			(1,360)		(1,360)
Change in ownership interest of parent due to transactions with non-controlling interests		(29)			(29)
Net changes in items other than shareholders' equity					
Total changes during period	–	(29)	5,152	(4)	5,118
Balance at end of period	5,537	1,971	62,572	(1,654)	68,427

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,833	199	(797)	801	2,036	3,739	69,084
Changes during period							
Dividends of surplus							(1,768)
Profit attributable to owners of parent							8,282
Purchase of treasury shares							(4)
Change in scope of equity method							(1,360)
Change in ownership interest of parent due to transactions with non-controlling interests							(29)
Net changes in items other than shareholders' equity	1,716	(44)	1,318	74	3,064	590	3,655
Total changes during period	1,716	(44)	1,318	74	3,064	590	8,774
Balance at end of period	3,549	155	520	875	5,101	4,330	77,858

For the current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,537	1,971	62,572	(1,654)	68,427
Changes during period					
Dividends of surplus			(2,863)		(2,863)
Profit attributable to owners of parent			12,416		12,416
Purchase of treasury shares				(14)	(14)
Change in scope of equity method					-
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	9,553	(14)	9,538
Balance at end of period	5,537	1,971	72,125	(1,669)	77,965

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,549	155	520	875	5,101	4,330	77,858
Changes during period							
Dividends of surplus							(2,863)
Profit attributable to owners of parent							12,416
Purchase of treasury shares							(14)
Change in scope of equity method							-
Change in ownership interest of parent due to transactions with non-controlling interests							-
Net changes in items other than shareholders' equity	(141)	(139)	3,024	1,355	4,099	1,201	5,300
Total changes during period	(141)	(139)	3,024	1,355	4,099	1,201	14,838
Balance at end of period	3,408	15	3,545	2,231	9,200	5,531	92,697

4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit before income taxes	12,209	18,385
Depreciation	3,493	3,873
Impairment losses	-	174
Amortization of goodwill	516	541
Increase (decrease) in allowance for doubtful accounts	59	122
Increase (decrease) in provision for bonuses	430	584
Increase (decrease) in retirement benefit liability	32	13
Increase (decrease) in other provisions	(133)	129
Interest and dividend income	(260)	(219)
Interest expenses	500	534
Foreign exchange losses (gains)	22	(49)
Share of loss (profit) of entities accounted for using equity method	(423)	(366)
Loss (gain) on sale of non-current assets	(73)	(842)
Loss on retirement of non-current assets	67	216
Loss (gain) on sale of investment securities	(1)	(1,545)
Loss (gain) on sales of investments in capital	(118)	-
Decrease (increase) in trade receivables	(9,801)	(7,268)
Decrease (increase) in inventories	(5,341)	2,419
Increase (decrease) in trade payables	707	(430)
Other, net	1,749	1,004
Subtotal	3,638	17,278
Interest and dividends received	562	578
Interest paid	(488)	(542)
Income taxes paid	(2,710)	(3,590)
Net cash provided by (used in) operating activities	1,001	13,724

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Cash flows from investing activities		
Purchase of non-current assets	(4,565)	(6,595)
Proceeds from sale of non-current assets	162	1,500
Payments for retirement of non-current assets	(373)	(285)
Payments into time deposits	(1)	(0)
Proceeds from sale of investment securities	6	1,888
Proceeds from sale of investments in capital of subsidiaries and associates	19	-
Proceeds from sale of investments in capital	232	-
Loan advances	(0)	(3)
Proceeds from collection of loans receivable	15	9
Other, net	(8)	(104)
Net cash provided by (used in) investing activities	(4,514)	(3,589)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	715	2,823
Increase (decrease) in commercial papers	5,000	(8,000)
Proceeds from long-term borrowings	3,000	6,954
Repayments of long-term borrowings	(3,793)	(4,938)
Purchase of treasury shares	(4)	(14)
Dividends paid	(1,768)	(2,853)
Dividends paid to non-controlling interests	(185)	(172)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(75)	-
Other, net	(26)	(35)
Net cash provided by (used in) financing activities	2,863	(6,237)
Effect of exchange rate change on cash and cash equivalents	62	160
Net increase (decrease) in cash and cash equivalents	(586)	4,058
Cash and cash equivalents at beginning of period	5,012	4,425
Cash and cash equivalents at end of period	*1 4,425	*1 8,483

[Notes]
(Significant matters providing the basis for the preparation of consolidated financial statements)

1. The scope of consolidation
(1) Number of consolidated subsidiaries: 11
Names of major consolidated subsidiaries:
The names of the consolidated subsidiaries are omitted because they are shown in “4. Information on Subsidiaries and Associates” under “I. Overview of the Company.”

(2) Names of major non-consolidated subsidiaries
Wuxi Krosaki Machinery Co. Ltd., Refractaria Technologies S.L.
Reason for exclusion from the scope of consolidation:
The two non-consolidated subsidiaries are small-scale companies, and their respective total assets, net sales, profit or loss and retained earnings (corresponding to equity held), etc. do not have a material effect in the consolidated financial statements.

2. Application of the equity-method
(1) Number of non-consolidated subsidiaries accounted for using equity method: 0

(2) Number of associates accounted for using equity method: 2
Names of major companies, etc.
Shin-Nippon Thermal Ceramics Corporation, YINGKOU KROSAKIHARIMA REFRACTORIES CO., LTD.

(3) Names of major companies, etc. which are non-consolidated subsidiaries or associates excluded from the scope of equity-method
Wuxi Krosaki Machinery Co. Ltd.
Reason for exclusion from the scope of equity-method:
The company is excluded from the scope of equity-method since the influence on the consolidated financial statements when excluded is negligible in terms of profit or loss and retained earnings (corresponding to equity held) and it does not hold overall significance.

3. Accounting period of consolidated subsidiaries
Fiscal year of the following consolidated subsidiaries ends on December 31:
Krosaki Amr Refractarios, S. A.
Wuxi Krosaki Sujia Refractories Co., Ltd.
Krosaki USA Inc.
Krosaki Harima (Shanghai) Enterprise Management Co., Ltd.
Krosakiharima Europe B. V.
TRL KROSAKI CHINA LIMITED
Refractaria, S. A.

Consolidated financial statements hereof are prepared by using financial statements as of the abovementioned settlement date and important matters that occurred between the settlement date and the consolidated settlement date are subject to the adjustment necessary for consolidation.

4. Significant accounting policies

(1) Evaluation standards and methods for significant assets

1) Marketable and investment securities

Available-for-sale securities:

Available-for-sale securities other than shares, etc. that do not have a market price:

Stated at fair market value based on the quoted market price at the fiscal year-end (Any valuation difference is accounted for directly as a component of net assets and the cost of sold securities are computed by the moving-average method).

Shares, etc. that do not have a market price:

Stated at cost determined by the moving-average method.

2) Receivables and payables from derivatives

Fair value method.

3) Inventories

Stated at cost determined by the moving-average method (designed to reduce book value according to decreased profitability of assets).

However, partly-completed work and uncompleted construction contracts are stated at cost determined by the specific identification method (This method is designed to reduce book value according to decreased profitability of assets).

(2) Depreciation methods for significant assets

1) Property, plant and equipment

a) The Company and its domestic consolidated subsidiaries

Straight-line method.

The Company and its domestic consolidated subsidiaries use useful lives stipulated in the Corporation Tax Act in principle. Internally prescribed useful lives are partially applied for machinery, equipment and vehicles and the buildings and structures relating to shopping centers in the Real Estate business. Such assets include tunnel kilns (9 years), machinery and equipment (9 years), and buildings and structures relating to shopping centers in the Real Estate business (lease contract terms).

b) Overseas consolidated subsidiaries

Straight-line method.

2) Intangible assets

a) The Company and its domestic consolidated subsidiaries

Straight-line method.

Software for internal use is amortized over an estimated useful life of 5 years.

b) Overseas consolidated subsidiaries

Straight-line method.

3) Long-term prepaid expenses

Straight-line method.

(3) Accounting policies for revenue and expenses

The details of the main performance obligations in the major businesses related to revenue from contracts with customers of the Company and its subsidiaries and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

1) Sales of merchandise and finished goods

In the Refractories and Ceramics segments, the Company mainly engages in the manufacture and sales of refractories and ceramics. It is deemed that in many cases, customers obtain control of finished goods and merchandise and performance obligations are satisfied when theses finished goods and merchandise are delivered, and revenue is therefore recognized mainly when theses finished goods and merchandise are delivered. However, for transactions in which control of finished goods and merchandise is transferred to customers when they are delivered, in practice, revenue is recognized at shipment in accordance with Paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30; March 26, 2021). In addition, revenue from sales of some finishes goods and merchandise is recognized when inspection and acceptance are completed by the customer as they require a certain period from delivery to inspection and acceptance by the customer.

The Company receives consideration for transactions related to the Refractories and Ceramics segments generally within one to six months after delivery of the finished goods and merchandise, and receivables arising from such contracts with customers are not adjusted for the effects of a significant financing component.

2) Construction contracts

In the Furnace segment, the Company mainly concludes construction contracts to design, construct, install and repair various kinds of furnaces. As control is transferred over time in these contracts, performance obligations are deemed to be satisfied over time, and revenue is recognized based on construction progress. As for the method to estimate the extent of progress toward satisfaction of performance obligations, the ratio of the cost incurred to the estimated total cost (input method) is being used.

However, revenue for construction contracts with small contract amounts and very short construction periods is not recognized over time and instead is recognized when inspection and acceptance are completed by the customer.

The Company receives consideration for transactions related to the Furnace segment generally within one to six months after satisfaction of performance obligations, and receivables arising from such contracts with customers are not adjusted for the effects of a significant financing component.

(4) Accounting policies for significant allowances and provisions

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on the collection of accounts, loans and other receivables. The amount of the allowance is computed based on the past rate of actual losses, and the estimated irrecoverable portion of specific doubtful receivables.

2) Provision for bonuses

Provision for bonuses is computed based on expected amount to prepare for bonuses of employees.

3) Provision for loss on construction contracts

To provide for future losses on construction contracts, an accrual is provided based on the estimated losses on undelivered construction contracts.

4) Provision for retirement benefits for directors (and other officers)

Provision for retirement benefits for directors (and other officers) is prepared at an amount to be required at the end of the fiscal year according to internal regulations.

Several overseas consolidated subsidiaries provide retirement benefits for directors (and other officers) as well.

At the meeting of its Board of Directors held on May 22, 2019, the Company resolved to abolish the system of retirement benefits for officers applicable to directors and auditors upon the conclusion of the Annual Shareholders' Meeting held on June 27, 2019. Accordingly, at the same Annual Shareholders' Meeting, shareholders approved the following: to pay the directors and auditors retirement benefits as final payments within an amount commensurate with their term of office until the conclusion of the Annual Shareholders' Meeting in accordance with the Company's internal standards; to make the final payment upon the retirement of each director and auditor; and to leave the decisions on the specific amounts and the methods of payment to the discretion of the Board of Directors regarding the payment to the directors and to the deliberation among the auditors regarding the payment to the auditors. As a result, the Company continues to report a provision for retirement benefits for directors (and other officers), including the estimated amount of these payments.

(5) Accounting method relating to retirement benefits

1) Periodic allocation of expected retirement benefits

In calculating projected benefit obligations, the attribution on a benefit formula basis is applied for allocation of expected retirement benefits to periods until the end of the current fiscal year.

2) Amortization of actuarial differences and past service costs

Past service costs are amortized by the straight-line method over a period within the remaining average servicing years of the employee (principally 10 years), beginning from the fiscal year of occurrence.

Actuarial differences are amortized by the straight-line method over a period within the remaining average servicing years of the employee (principally 10 years), beginning from the fiscal year following the time of occurrence.

3) The use of the simplified valuation method in small-scale companies, etc.

Several consolidated subsidiaries use the simplified valuation method when calculating net defined benefit liability and retirement benefit costs, whereby the amount payable assuming all employees resigned at the end of the fiscal year is recognized as projected benefit obligations.

(6) Standards for translation of significant foreign currency-denominated assets and liabilities into Japanese yen

Monetary payables and receivables denominated in foreign currencies are translated into Japanese yen at the spot rate prevailing on the consolidated settlement date. Differences arising from such translations are accounted for as profit or loss. Assets and liabilities of overseas subsidiaries are translated into Japanese yen based on the spot rate prevailing on the consolidated settlement date, while their revenues and expenses are translated into Japanese yen based on the average exchange rate during the fiscal year. Differences arising from such translations are included in both “Foreign currency translation adjustment” and “Non-controlling interests” in the net assets section of the balance sheets.

(7) Significant hedge accounting methods

1) Hedge accounting method

The Companies adopt the deferred hedge accounting method.

For currency swap contracts whose amounts, currency and period meet the conditions of hedged items, the “assigning” method is adopted. In addition, for interest swaps whose amounts, index and period meet the conditions for hedged items, the “exceptional” method is adopted.

2) Hedging instruments and hedged items

Hedging instruments:

Forward foreign exchange contracts, interest rate swap contracts, currency swap contracts

Hedged items:

Foreign currencies forecasted transactions, foreign currencies receivables or payables, borrowings

3) Hedging policy

Forward foreign exchange contracts are used to hedge foreign exchange rates risks within the range of actual demand and not for dealing aimed at attaining earnings. Interest rate swap contracts and currency swap contracts are used to hedge the Group’s exposure to the risk of fluctuations in interest rates or currency.

4) Method for evaluating hedging effectiveness

The effectiveness of hedging is assessed by confirming a high level of correlation between the accumulated total of market fluctuations or cash flows of hedged items and that of hedging instruments. However, assessments on effectiveness are omitted for currency swaps using the “assigning” method and interest swaps using the “exceptional” method.

(8) Method and period of amortization of goodwill

Goodwill is amortized using the straight-line method over an appropriate period of 10 to 20 years according to the respective investments.

(9) Cash and deposits in the consolidated statements of cash flows

Cash and deposits consist of cash on hand, demand deposits at banks and short-term high liquid investments with insignificant risks of change in value and with maturities not exceeding three months at the time of purchase.

(Additional information)
(Transfer of non-current assets)

With regard to the transfer of non-current assets owned by TRL KROSAKI REFRACTORIES LIMITED, which is a consolidated subsidiary of the Company, detailed in significant subsequent events in the Quarterly Securities Report for the First Quarter of the 133rd fiscal year, although the Company had initially expected to record a gain on sale of non-current assets of approximately ¥3,000 million in the fourth quarter of the fiscal year ended March 31, 2024, we have decided to split the recording of the gain on sale between the fiscal year ended March 31, 2024 and the fiscal year ending March 31, 2025 due to the procedures for the land sale.

(Notes to Consolidated Balance Sheets)

*1. Amount of shares and equity of non-consolidated subsidiaries and associates included in investment securities is as follows.

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Investment securities	914	707
Other in "investments and other assets" (investments in capital)	1,043	1,099

*2. Contingent liabilities

(i) Guarantee obligation (Millions of yen)

Previous fiscal year (As of March 31, 2023)		Current fiscal year (As of March 31, 2024)	
Employees		Employees	
Borrowings from financial institution for home loans	208	Borrowings from financial institution for home loans	206

(ii) Retrospective obligations due to liquidation of claims (Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Transfer balance of notes	682	435
Transfer balance of accounts receivable	4	–

*3. Notes maturing at the end of the fiscal year are accounted for as settled on the clearance date.

As the end of the fiscal year under review was a bank holiday, the following notes maturing at the end of the fiscal year are included in the year-end balance.

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Notes receivable - trade	–	126
Electronically recorded obligations - operating	–	1,119

*4. Presentation of inventories and provision for loss on construction contracts

Previous fiscal year (As of March 31, 2023)

Inventories and provision for loss on construction contracts related to contracts in which the Company is expecting a loss are listed in both assets and liabilities instead of offsetting such an amount.

An amount of ¥18 million is reserved for provision for loss on construction contracts within the amount of inventories related to contracts in which the Company is expecting a loss.

Current fiscal year (As of March 31, 2024)

Inventories and provision for loss on construction contracts related to contracts in which the Company is expecting a loss are listed in both assets and liabilities instead of offsetting such an amount.

An amount of ¥77 million is reserved for provision for loss on construction contracts within the amount of inventories related to contracts in which the Company is expecting a loss.

*5. The amounts of notes and accounts receivable - trade and contract assets from contracts with customers are as follows.

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Notes receivable - trade	1,879	1,868
Accounts receivable - trade	49,992	54,058
Contract assets	3,308	7,750

*6. The amount of contract liabilities included in “Other” is as follows.

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Contract liabilities	832	775

(Notes to Consolidated Statements of Income)

*1. Revenue from contracts with customers

The Company does not disaggregate revenue from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in “Notes (Notes to revenue recognition), 1. Disaggregation of revenue from contracts with customers” in the consolidated financial statements.

*2. Major components and amounts of selling, general and administrative expenses are as follows:

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Depreciation	248	231
Amortization of goodwill	516	541
Provision for bonuses	895	974
Retirement benefit costs	285	276
Provision for retirement benefits for directors (and other officers)	91	97
Shipment and haulage expenses	4,998	4,673
Directors’ and auditors’ compensations, salaries and allowances	4,523	4,886
Research and development costs	993	1,158
Provision of allowance for doubtful accounts	81	127

An amount of depreciation (¥78 million for the previous fiscal year, ¥101 million for the current fiscal year) is included in research and development costs.

*3. Gain on sale of non-current assets

Gain on sale of non-current assets for the previous fiscal year is primarily from the sale of land.

Gain on sale of non-current assets for the current fiscal year is primarily from the sale of land.

*4. Loss on sale of non-current assets

Loss on sale of non-current assets for the previous fiscal year is primarily from the sale of land.

Loss on sale of non-current assets for the current fiscal year is primarily from the sale of land.

*5. The following losses on retirement of non-current assets are recorded.

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Buildings and structures	22	18
Machinery, equipment and vehicles	21	24
Tools, furniture and fixtures	2	18
Construction in progress	－	66
Removing expenses	21	89

*6. Research and development costs included in general and administrative expenses are as follows.

(Millions of yen)

Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
993	1,158

*7. Impairment losses

For the previous fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable

For the current fiscal year (from April 1, 2023 to March 31, 2024)

The Group recorded impairment losses on the following asset in the current fiscal year.

(Millions of yen)

Location	Purpose	Type	Impairment loss
Bizen City, Okayama	Idle asset	Land	15
Muroran City, Hokkaido	Business asset	Building (Primarily assets corresponding to asset retirement obligations)	112
Kamaishi City, Iwate	Asset for lease	Building (Primarily assets corresponding to asset retirement obligations)	46

In assessing impairment losses, the Group, in principle, groups its assets by business and by business location into units that generate cash flows independently.

In terms of the idle asset in Bizen City, Okayama, the Group recorded the difference between the recoverable value and book value as an impairment loss due to the continuous decline in land prices.

The recoverable value is calculated using the net realizable value based on the value obtained by reasonably adjusting the assessed value of fixed assets tax.

In terms of the business asset in Muroran City, Hokkaido, the Group recorded the difference between the recoverable value and book value as an impairment loss due to finalizing the policy on the withdrawal from business.

The recoverable value is calculated using the net realizable value. However, the entire book value has been recorded as an impairment loss due to the difficulty of selling the asset.

In terms of the asset for lease in Kamaishi City, Iwate, the Group recorded the difference between the recoverable value and book value as an impairment loss, due to the absence of any prospects for future use of the asset as a result of the expiry of the lease contract.

The recoverable value is calculated using the net realizable value. However, the entire book value has been recorded as an impairment loss due to the difficulty of selling the asset.

*8. Book-value devaluation (reversal) due to decreased profitability of inventories held for the purpose of ordinary sales is as follows.

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Cost of sales	26	16

*9. Reserve for provision for loss on construction contracts included in cost of sales are as follows.

(Millions of yen)

Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
3	87

(Notes to Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustment and tax effect relating to other comprehensive income:

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Valuation difference on available-for-sale securities		
Gains (losses) arising during the year	2,465	1,345
Reclassification adjustments	(1)	(1,545)
Amount before income tax effect	2,463	(199)
Income tax effect	(746)	58
Valuation difference on available-for-sale securities	1,716	(141)
Deferred gains or losses on hedges		
Gains (losses) arising during the year	149	257
Reclassification adjustments	(213)	(457)
Amount before income tax effect	(63)	(200)
Income tax effect	19	61
Deferred gains or losses on hedges	(44)	(139)
Foreign currency translation adjustment		
Gains (losses) arising during the year	1,306	3,345
Foreign currency translation adjustment	1,306	3,345
Remeasurements of defined benefit plans, net of tax		
Gains (losses) arising during the year	284	2,103
Reclassification adjustments	(178)	(155)
Amount before income tax effect	106	1,947
Income tax effect	(32)	(592)
Remeasurements of defined benefit plans, net of tax	74	1,355
Share of other comprehensive income of entities accounted for using equity method		
Gains (losses) arising during the year	105	46
Share of other comprehensive income of entities accounted for using equity method	105	46
Total other comprehensive income	3,158	4,466

(Notes to Consolidated Statements of Changes in Net Assets, etc.)
For the previous fiscal year (from April 1, 2022 to March 31, 2023)

1. Matters related to issued shares

(Shares)

Class of shares	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Common share	9,114,528	–	–	9,114,528

(Major causes for changes)
Not applicable

2. Matters related to treasury shares

(Shares)

Class of shares	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Common share	692,845	784	–	693,629

(Major causes for changes)
Breakdown of increases is as follows.
Increase due to purchase of shares below one unit: 784 shares
Breakdown of decreases is as follows.
Not applicable

3. Matters related to subscription rights to shares, etc.
Not applicable

4. Matters related to dividends
(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting at June 29, 2022	Common share	842	100.0	March 31, 2022	June 30, 2022
Board of Directors' Meeting at October 31, 2022	Common share	926	110.0	September 30, 2022	November 25, 2022

(2) Dividends whose record date fell in the fiscal year, but whose effective date comes after March 31, 2023

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting at June 29, 2023	Common share	Retained earnings	1,515	180.0	March 31, 2023	June 30, 2023

For the current fiscal year (from April 1, 2023 to March 31, 2024)

1. Matters related to issued shares

(Shares)

Class of shares	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common share	9,114,528	–	–	9,114,528

(Note) The Company conducted a 4-for-1 stock split of its common shares on April 1, 2024. The issued shares stated above represent the number of shares prior to this stock split.

(Major causes for changes)
Not applicable

2. Matters related to treasury shares

(Shares)

Class of shares	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common share	693,629	1,363	–	694,992

(Note) The Company conducted a 4-for-1 stock split of its common shares on April 1, 2024. The treasury shares stated above represent the number of shares prior to this stock split.

(Major causes for changes)
Breakdown of increases is as follows.
Increase due to purchase of shares below one unit: 1,363 shares
Breakdown of decreases is as follows.
Not applicable

3. Matters related to subscription rights to shares, etc.
Not applicable

4. Matters related to dividends
(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting at June 29, 2023	Common share	1,515	180.0	March 31, 2023	June 30, 2023
Board of Directors' Meeting at October 31, 2023	Common share	1,347	160.0	September 30, 2023	November 29, 2023

(2) Dividends whose record date fell in the fiscal year, but whose effective date comes after March 31, 2024

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting at June 26, 2024	Common share	Retained earnings	2,020	240.0	March 31, 2024	June 27, 2024

(Note) The Company conducted a 4-for-1 stock split of its common shares on April 1, 2024. The dividends per share stated above represent the amount of dividends prior to this stock split.

(Notes to Consolidated Statements of Cash Flows)

*1. Relationship between the fiscal-end balance of cash and cash equivalents and the amount of consolidated balance sheet items

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Cash and deposits	4,426	8,484
Time deposits with a tenor of more than three months	(1)	(1)
Cash and cash equivalents	4,425	8,483

(Notes to financial instruments)

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Group raises the necessary funds in accordance with its capital investment plan for mainly conducting the manufacture and sale of refractories chiefly through bank borrowings and the issuance of bonds. Short-term working funds are procured through bank borrowings, commercial papers, and other means. The Group utilizes derivative financial instruments to hedge the risks described below, instead of speculative transactions.

(2) Details of financial instruments used and the exposures to risks

Notes and accounts receivable - trade are exposed to the customer's credit risk. Because of the global business, trade receivables denominated in foreign currency are exposed to the risk of exchange rate fluctuations, which, as a general rule, are constantly within the balance of trade payables denominated in the same currency. Investment securities mainly consist of the stocks relating to business or capital alliance relationships with business partners and are exposed to the risk of market price fluctuations.

Payment terms of accounts payable - trade and electronically recorded obligations - operating are one year or less. Some of them are denominated in foreign currencies as they relate to the import of materials and others, and are exposed to the risk of exchange rate fluctuations. The position netted of trade receivables are principally hedged using forward foreign exchange contracts. Borrowings and bonds are mainly intended to procure necessary funds for capital investment and the last maturity date of these debts is at the latest six years after the end of the fiscal year. In addition, floating rate bonds and borrowings are exposed to the risk of interest rate fluctuation, and foreign exchange loans are exposed to the risk of currency fluctuation.

As for derivative transactions, forward foreign exchange contracts are used to hedge the risk of exchange rate fluctuations mostly relating to trade receivables and payables denominated in foreign currencies, and interest rate swap contracts and currency swap contracts are used to hedge the risk of interest rate and currency fluctuation.

For hedging instruments, hedged items, hedge policies and assessment method for hedge effectiveness, please refer to "(7) Significant hedge accounting methods" under "Note 4. Significant accounting policies."

(3) Risk management for financial instruments

1) Credit risk management

In order to evaluate at early stages and reduce potential credit risks due to the deterioration of business partners' financial position, etc., pursuant to the Company's credit management regulations, the Company manages customer's credit risk on trade receivable and long-term loans receivable through the regular monitoring of payment term and balances of customers by each responsible business department. Consolidated subsidiaries also manage the credit risk according to the Company's policies.

The Company enters into derivative trading contract only with highly rated financial institutions to reduce counterparty risk.

The maximum credit risk at the fiscal year-end is represented by the book value of the financial instrument exposed to credit risk on the consolidated balance sheets.

2) Market risk (risk of fluctuations in foreign currency exchange, interest, etc.) management

The Company and some of its consolidated subsidiaries use forward foreign exchange contracts in principle to hedge foreign currency exchange fluctuation risk concerning trade receivables and payables denominated in foreign currencies.

Forward foreign exchange contracts are used for foreign currency denominated trade receivables and payables that are deemed definite to occur due to forward contracts relating to exports and imports.

In addition, the Company uses interest rate swap contracts and currency swap contracts in order to hedge the risk of interest rate and currency fluctuation of borrowings.

Regarding investment securities, the Company identifies and monitors their fair market values and the financial position of the issuers on a regular basis and continuously reviews the appropriateness of holding such securities considering the relationship with the issuers.

Regarding forward foreign exchange contracts, the Company approves basic policies at a semiannual profit planning meeting in accordance with the Company's financial transaction management regulations, which establishes authority for trading and limits of transactions. Regarding interest rate swaps and currency swaps, the Board of Directors approves them for each transaction. According to these policies, the Finance Division conducts these transactions, taking charge of book-keeping and performing direct confirmation of transaction balances with business partners. The results of such forward foreign exchange contracts are reported at the Management Council meetings.

3) Liquidity risk management relating to fund procurement (risk of default)

The Company manages its liquidity risk by its Finance Division preparing and updating financing plans on a timely basis according to reports from business departments.

(4) Supplementary explanation on fair value of financial instruments

As variable factors are taken into account in measuring fair value of financial instruments, such value may fluctuate if different assumptions and inputs are used. In addition, the contract amount of derivatives in "Notes to derivatives" itself does not indicate the market risk of derivatives.

(5) Concentration of credit risk

57.9% of trade receivables were from specific large customers at the end of the fiscal year ended March 31, 2024.

2. Fair value of financial instruments

The carrying amount and fair value of financial instruments as well as the differences between these values are described below.

For the previous fiscal year (as of March 31, 2023)

(Millions of yen)

	Carrying amount (*3)	Fair value (*3)	Valuation difference
(1) Investment securities			
Available-for-sale securities	6,592	6,592	–
(2) Long-term borrowings (*4)	(22,345)	(22,358)	13
(3) Derivatives (*5)	220	220	–

(*1) "Cash and deposits," "Notes and accounts receivable - trade, and contract assets," "Accounts payable - trade," "Electronically recorded obligations - operating," "Short-term borrowings," "Commercial papers," and "Income taxes payable" are omitted, because they comprise cash or are settled within a short time and their carrying amount approximates their fair value.

(*2) Shares, etc. that do not have a market price are not included in (1) Investment securities. The carrying amount of such financial instruments on the consolidated balance sheets is as follows.

(Millions of yen)

Item	As of March 31, 2023
Unlisted shares	988

(*3) Figures shown in parentheses "( )" are liability items.

(*4) Long-term borrowings which turned into current portion recorded in short-term borrowings are stated as long-term borrowings in the above chart.

(*5) Receivables and payables arising from derivatives are presented in net. Net payables are presented in parentheses "( )."

For the current fiscal year (as of March 31, 2024)

(Millions of yen)

	Carrying amount (*3)	Fair value (*3)	Valuation difference
(1) Investment securities			
Available-for-sale securities	6,057	6,057	–
(2) Long-term borrowings (*4)	(24,494)	(24,448)	(46)
(3) Derivatives (*5)	16	16	–

(*1) "Cash and deposits," "Notes and accounts receivable - trade, and contract assets," "Accounts payable - trade," "Electronically recorded obligations - operating," "Short-term borrowings," "Commercial papers," and "Income taxes payable" are omitted, because they comprise cash or are settled within a short time and their carrying amount approximates their fair value.

(*2) Shares, etc. that do not have a market price are not included in (1) Investment securities. The carrying amount of such financial instruments on the consolidated balance sheets is as follows.

(Millions of yen)

Item	As of March 31, 2024
Unlisted shares	780

(*3) Figures shown in parentheses "( )" are liability items.

(*4) Long-term borrowings which turned into current portion recorded in short-term borrowings are stated as long-term borrowings in the above chart.

(*5) Receivables and payables arising from derivatives are presented in net. Net payables are presented in parentheses "( )."

Notes:

1. Redemption schedule for monetary receivables

For the previous fiscal year (as of March 31, 2023)

(Millions of yen)

	Within 1 year	Over 1 year to within 5 years	Over 5 years to within 10 years	Over 10 years
Cash and deposits	4,426	–	–	–
Notes and accounts receivable - trade	51,872	–	–	–
Total	56,298	–	–	–

For the current fiscal year (as of March 31, 2024)

(Millions of yen)

	Within 1 year	Over 1 year to within 5 years	Over 5 years to within 10 years	Over 10 years
Cash and deposits	8,484	–	–	–
Notes and accounts receivable - trade	55,927	–	–	–
Total	64,411	–	–	–

2. Repayment schedule of long-term borrowings and other interest-bearing liabilities

For the previous fiscal year (as of March 31, 2023)

(Millions of yen)

	Within 1 year	Over 1 year to within 2 years	Over 2 years to within 3 years	Over 3 years to within 4 years	Over 4 years to within 5 years	Over 5 years
Short-term borrowings	6,038	–	–	–	–	–
Commercial papers	11,000	–	–	–	–	–
Long-term borrowings	4,879	4,945	6,501	4,001	2,001	15
Total	21,918	4,945	6,501	4,001	2,001	15

For the current fiscal year (as of March 31, 2024)

(Millions of yen)

	Within 1 year	Over 1 year to within 2 years	Over 2 years to within 3 years	Over 3 years to within 4 years	Over 4 years to within 5 years	Over 5 years
Short-term borrowings	9,386	–	–	–	–	–
Commercial papers	3,000	–	–	–	–	–
Long-term borrowings	4,999	6,661	4,161	4,161	4,503	6
Total	17,386	6,661	4,161	4,161	4,503	6

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

For the previous fiscal year (as of March 31, 2023)

(Millions of yen)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Shares	6,592	—	—	6,592
Derivatives				
Currency related	—	220	—	220

For the current fiscal year (as of March 31, 2024)

(Millions of yen)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Shares	6,057	—	—	6,057
Derivatives				
Currency related	—	16	—	16

(2) Financial instruments other than those measured at fair value

For the previous fiscal year (as of March 31, 2023)

(Millions of yen)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	—	22,358	—	22,358

For the current fiscal year (as of March 31, 2024)

(Millions of yen)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	—	24,448	—	24,448

(Note) A description of the valuation technique(s) and inputs used in the fair value measurements

Investment securities

Listed shares are valued using quoted prices. In addition, as listed shares are traded in active markets, their fair value is classified as Level 1.

Derivatives

The fair value of forward foreign exchange contracts is measured using the discounted present value method based on observable inputs, such as exchange rates, and is classified as Level 2.

Long-term borrowings

The fair value of long-term borrowings is based on the present value calculated by discounting the total principal and interest by the rate reflecting the remaining term and credit risk of the borrowings, and is classified as Level 2.

For long-term borrowings at a floating rate that are subject to the exceptional method for interest rate swap and the assigning method of currency swap, the fair value is calculated by discounting the total principal and interest handled together with the interest rate swap and currency swap by the reasonably estimated interest rate applicable to similar borrowings.

(Notes to securities)
1. Available-for-sale securities

For the previous fiscal year (as of March 31, 2023)

(Millions of yen)

	Type of securities	Carrying amounts	Acquisition cost	Valuation difference
Securities for which carrying amounts exceed acquisition cost	Equity securities	6,573	1,242	5,330
	Bonds	—	—	—
	Other	—	—	—
	Total	6,573	1,242	5,330
Securities for which carrying amounts are within acquisition cost	Equity securities	19	21	(2)
	Bonds	—	—	—
	Other	—	—	—
	Total	19	21	(2)
Total		6,592	1,264	5,328

For the current fiscal year (as of March 31, 2024)

(Millions of yen)

	Type of securities	Carrying amounts	Acquisition cost	Valuation difference
Securities for which carrying amounts exceed acquisition cost	Equity securities	6,057	929	5,127
	Bonds	—	—	—
	Other	—	—	—
	Total	6,057	929	5,127
Securities for which carrying amounts are within acquisition cost	Equity securities	—	—	—
	Bonds	—	—	—
	Other	—	—	—
	Total	—	—	—
Total		6,057	929	5,127

2. Total amounts of available-for-sale securities sold and the resulting gains and losses

For the previous fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

Type	Sales	Gains	Losses
Equity securities	6	1	—
Total	6	1	—

For the current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

Type	Sales	Gains	Losses
Equity securities	1,888	1,545	0
Total	1,888	1,545	0

3. Impairment losses on securities

For the previous fiscal year, the Company did not record impairment losses on available-for-sale securities.

For the current fiscal year, the Company did not record impairment losses on available-for-sale securities.

Impairment of equity securities whose rate of decline in fair value is between 30% and 50% is comprehensively determined on an individual basis by monitoring the level of fair values of the securities held, such as the divergence between the highest and lowest of fair value during the fiscal year and the book value, and conducting quantitative credit risk evaluations through issuer’s external credit ratings and various financial ratios based on published financial statements.

(Notes to derivatives)

1. Derivatives that are not subject to the application of hedge accounting

(1) Currency-related derivatives

For the previous fiscal year (as of March 31, 2023)

(Millions of yen)

Category	Type	Contract amount	Contract amount due after one year	Fair value	Valuation gains/losses
Non-market transactions	Forward foreign exchange contracts				
	Short positions				
	USD	181	－	(0)	(0)
	EUR	18	－	0	0
	JPY	82	－	(1)	(1)
	Long positions				
	USD	80	－	0	0
	EUR	56	－	(0)	(0)
	JPY	－	－	－	－
Total		419	－	(2)	(2)

For the current fiscal year (as of March 31, 2024)

(Millions of yen)

Category	Type	Contract amount	Contract amount due after one year	Fair value	Valuation gains/losses
Non-market transactions	Forward foreign exchange contracts				
	Short positions				
	USD	121	－	(0)	(0)
	EUR	42	－	0	0
	JPY	－	－	－	－
	Long positions				
	USD	－	－	－	－
	EUR	67	－	0	0
	JPY	90	－	(6)	(6)
Total		321	－	(6)	(6)

2. Derivatives subject to the application of hedge accounting
(1) Currency-related derivatives
For the previous fiscal year (as of March 31, 2023)

(Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge method for forward foreign exchange contracts, etc.	Forward foreign exchange contracts Long positions CNY	Accounts payable - trade	2,235	260	223
Total			2,235	260	223

For the current fiscal year (as of March 31, 2024)

(Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge method for forward foreign exchange contracts, etc.	Forward foreign exchange contracts Long positions CNY	Accounts payable - trade	260	－	22
Total			260	－	22

(2) Interest-related derivatives

For the previous fiscal year (as of March 31, 2023)

(Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Exceptional method for interest rate swaps	Interest rate swap contracts: Fluctuating interest receipt, fixed payment	Long-term borrowings	1,000	1,000	(Note)
Total			1,000	1,000	―

(Note) Since interest rate swaps subject to the exceptional method are handled together with long-term borrowings that are subject to hedging, their fair value is presented within the fair value of such long-term borrowings.

For the current fiscal year (as of March 31, 2024)

(Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Exceptional method for interest rate swaps	Interest rate swap contracts: Fluctuating interest receipt, fixed payment	Long-term borrowings	1,000	1,000	(Note)
Total			1,000	1,000	―

(Note) Since interest rate swaps subject to the exceptional method are handled together with long-term borrowings that are subject to hedging, their fair value is presented within the fair value of such long-term borrowings.

(Notes to retirement benefits)

1. Overview of retirement benefit plans

The Company and consolidated subsidiaries principally have defined benefits retirement plans. The Company also established a retirement benefit trust. The Company may offer extra retirement allowance to employees on their retirement.

Certain consolidated subsidiaries have adopted lump-sum retirement plans where the simplified method is used for the calculation of retirement benefit liability and retirement benefit costs.

2. Defined-benefit plans

(1) The changes in projected benefit obligations (except for plan applying the simplified method)

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Balance at the beginning of year	8,439	8,854
Service cost	809	796
Interest cost	86	120
Actuarial loss (gain)	(159)	(262)
Benefits paid	(323)	(238)
Other	3	105
Balance at the end of year	8,854	9,377

(2) The changes in plan assets (except for plan applying the simplified method)

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Balance at the beginning of year	10,256	10,829
Expected return on plan assets	77	128
Actuarial gain (loss)	125	1,841
Contribution paid by the employer	684	722
Benefits paid	(317)	(232)
Other	2	77
Balance at the end of year	10,829	13,366

(3) The changes in retirement benefit liability calculated using the simplified method

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Balance at the beginning of year	180	177
Retirement benefit costs	15	25
Benefits paid	(18)	(14)
Balance at the end of year	177	188

(4) Adjustments between the ending balances of projected benefit obligations and plan assets and retirement benefit liability and retirement benefit asset reported on the consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Funded projected benefit obligations	8,626	9,114
Plan assets	(10,829)	(13,366)
	(2,203)	(4,251)
Unfunded projected benefit obligations	406	450
Net asset and liability reported on the consolidated balance sheets	(1,796)	(3,800)
Retirement benefit liability	505	547
Retirement benefit asset	(2,302)	(4,348)
Net asset and liability reported on the consolidated balance sheets	(1,796)	(3,800)

(Note) Plans applying the simplified method are included.

(5) Breakdown of retirement benefit costs

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Service cost	809	796
Interest cost	86	120
Expected return on plan assets	(77)	(128)
Net actuarial loss amortization	(159)	(136)
Past service costs amortization	(19)	(19)
Retirement benefit costs applying the simplified method	15	25
Retirement benefit costs for defined benefit plans	655	659

(6) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (before tax effect) consist of the following.

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Actuarial differences	125	1,966
Past service costs	(19)	(19)
Total	106	1,947

(7) Accumulated remeasurements of defined benefit plans

Accumulated remeasurements of defined benefit plans (before tax effect) consist of the following.

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Past service costs that are yet to be recognized	(150)	(131)
Actuarial gains and losses that are yet to be recognized	(1,106)	(3,073)
Total	(1,257)	(3,205)

(8) Plan assets

1) Components of plan assets

Plan assets consist of the following:

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Bonds	2,659	2,831
Equity securities	3,610	5,500
General account	2,604	2,612
Other	1,955	2,421
Total	10,829	13,366

(Notes) 1 Other mainly includes cash and alternative investments.

2 Plan assets of the previous fiscal year and the current fiscal year include the employee pension trust of ¥1,763 million and ¥2,773 million, respectively, which has been established to cover the pension plans.

2) Method for determining the long-term expected rates of return on plan assets

To determine the long-term expected rates of return on plan assets, the current and expected portfolios of the plan assets held, as well as the current and future long-term expected rates of return on the various pension plan assets, are considered.

(9) Assumptions used in actuarial calculations

The major assumptions (on the weighted average basis) used in actuarial calculations are as follows:

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Discount rates	Primarily 0.6%	Primarily 1.0%
Long-term expected rates of return on plan assets	Primarily 1.0%	Primarily 1.0%

(Notes to the method of tax effect accounting)

1. Breakdown of major factors that caused deferred tax assets and liabilities

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Deferred tax assets		
Depreciation	647	594
Impairment losses	257	253
Provision for retirement benefits for directors (and other officers)	114	128
Retirement benefit liability	110	116
Allowance for doubtful accounts	47	83
Loss on valuation of securities	130	128
Book value of share trust	117	117
Provision for bonuses	790	1,068
Accrued business tax	77	144
Unrealized gains	329	372
Loss from adjustment to gain on sale of land	111	80
Other	699	695
Subtotal	3,435	3,783
Valuation allowance	(596)	(581)
Total deferred tax assets	2,838	3,201
Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	(426)	(399)
Valuation difference on available-for-sale securities	(1,593)	(1,535)
Retirement benefit asset	(700)	(1,321)
Under-depreciation at overseas subsidiaries	(393)	(517)
Valuation difference of land accompanied by business combinations	(612)	(602)
Other	(1,124)	(1,550)
Total deferred tax liabilities	(4,851)	(5,928)
Balance of net deferred tax assets (liabilities)	(2,012)	(2,726)

2. Breakdown of items which caused the difference between the normal statutory tax rate and the effective tax rate after adoption of tax effect accounting

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Normal effective statutory tax rate	30.4%	30.4%
(Adjustments)		
Entertainment expenses and other expenses not counted for tax purposes	0.2%	0.1%
Dividend income and other items not counted for tax purposes	(0.1%)	(0.0%)
Tax credits	(2.7%)	(2.6%)
Amortization of goodwill	1.2%	0.8%
Share of profit of entities accounted for using equity method	(0.5%)	(0.6%)
Inhabitant tax on per capita basis	0.4%	0.2%
Difference in tax rates of consolidated subsidiaries	(3.3%)	(2.7%)
Other	0.6%	1.3%
Actual effective tax rate	26.2%	26.9%

(Notes to asset retirement obligations)

For the previous fiscal year (as of March 31, 2023)
Statement has been omitted due to their insignificance.

For the current fiscal year (as of March 31, 2024)
Statement has been omitted due to their insignificance.

(Notes to rental property)

The Company has commercial buildings (including land) for rent in Osaka prefecture and other areas.

For the fiscal year ended March 31, 2023, net rental income of these properties amounted to ¥594 million (rental income is mainly classified in net sales and rental expense is mainly classified in cost of sales), gain on sale was ¥114 million (classified in extraordinary income), and loss on sale was ¥47 million (classified in extraordinary losses).

For the fiscal year ended March 31, 2024, net rental income of these properties amounted to ¥569 million (rental income is mainly classified in net sales and rental expense is mainly classified in cost of sales), gain on sale was ¥89 million (classified in extraordinary income), and loss on sale was ¥14 million (classified in extraordinary losses).

The book value, amount of change in book value and fair value of the rental property are as follows:

(Millions of yen)

		Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Value on the consolidated balance sheets	Balance at the beginning of year	1,305	1,215
	Changes during the year	(89)	110
	Balance at the end of year	1,215	1,326
Fair value at the end of year		10,132	10,072

(Notes) 1 Book value is calculated by deducting the relevant accumulated depreciation and impairment losses from the property’s acquisition cost.

2 Changes during the previous fiscal year mainly resulted from increases due to acquisition of ¥15 million and decreases due to depreciation of ¥41 million and sale of ¥64 million.
Changes during the current fiscal year mainly resulted from increases due to acquisition of ¥175 million and newly idled property of ¥58 million and decreases due to depreciation of ¥58 million and sale of ¥48 million.

3 Fair value at the fiscal year-end was the amount calculated by making reasonable adjustments using mainly the appraisal value based on the real estate appraisal standards or indices.

(Notes to revenue recognition)

1. Disaggregation of revenue from contracts with customers

For the previous fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal		
Japan	67,200	14,600	7,164	－	88,966	826	89,793
India	33,879	－	11	－	33,891	－	33,891
Asia	9,261	26	930	－	10,219	－	10,219
Europe	18,296	－	307	－	18,603	－	18,603
Other	11,900	－	56	－	11,957	－	11,957
Revenue from contract(s) with customers	140,538	14,627	8,471	－	163,637	826	164,464
Other revenues	－	－	－	737	737	－	737
Sales to external customers	140,538	14,627	8,471	737	164,375	826	165,202

(Note) The “Others” category is a business segment which is not included in the reportable segments and includes production and sale of lime for steel mills.

For the current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal		
Japan	72,728	15,190	6,639	－	94,559	969	95,528
India	38,545	－	6	－	38,552	－	38,552
Asia	8,830	37	855	－	9,723	－	9,723
Europe	20,060	－	625	－	20,685	－	20,685
Other	11,702	－	99	－	11,801	－	11,801
Revenue from contract(s) with customers	151,867	15,228	8,226	－	175,322	969	176,291
Other revenues	－	－	－	737	737	－	737
Sales to external customers	151,867	15,228	8,226	737	176,059	969	177,029

(Note) The “Others” category is a business segment which is not included in the reportable segments and includes production and sale of lime for steel mills.

2. Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue is as presented in “(Significant matters providing the basis for the preparation of consolidated financial statements), 4. Significant accounting policies, (3) Accounting policies for revenue and expenses.”

3. Balance of contract assets and contract liabilities and the transaction price allocated to the remaining performance obligations

For the previous fiscal year (from April 1, 2022 to March 31, 2023)

(1) Contract asset and contract liability balances

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)
Receivables from contracts with customers (beginning balance)	43,553
Receivables from contracts with customers (ending balance)	51,872
Contract assets (beginning balance)	1,113
Contract assets (ending balance)	3,308
Contract liabilities (beginning balance)	805
Contract liabilities (ending balance)	832

Receivables and contract assets are included in “Notes and accounts receivable - trade, and contract assets” on the consolidated balance sheets.

Contract assets relate to the right of the Company to consideration for performance obligations to be satisfied over time, pertaining to sales of some goods and merchandise in the Refractories segment and construction contracts in the Furnace segment. Once the Company has an unconditional right to consideration, we reclassify contract assets to receivables from contracts with customers. The consideration is charged at the timing of inspection and acceptance by customers and received generally in one to six months in accordance with the contracts with customers.

Contract liabilities primarily relate to advances received from customers based on sales contracts of finished goods and merchandise in the Refractories and Ceramics segments for which revenue is recognized at delivery of the finished goods and merchandise. Contract liabilities are reversed as revenue is recognized.

Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period was ¥766 million.

The amount of revenue recognized in the fiscal year ended March 31, 2023 from performance obligations that were satisfied in previous periods is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations was ¥16,425 million as of March 31, 2023. The Company expects to recognize revenue for the remaining performance obligations within one to three years as performance obligations become satisfied.

The Group has applied practical expedients and excluded from the above amount information on the remaining performance obligations with an original expected duration of one year or less.

For the current fiscal year (from April 1, 2023 to March 31, 2024)
(1) Contract asset and contract liability balances

(Millions of yen)

	Current fiscal year (From April 1, 2023 to March 31, 2024)
Receivables from contracts with customers (beginning balance)	51,872
Receivables from contracts with customers (ending balance)	55,927
Contract assets (beginning balance)	3,308
Contract assets (ending balance)	7,750
Contract liabilities (beginning balance)	832
Contract liabilities (ending balance)	775

Receivables and contract assets are included in "Notes and accounts receivable - trade, and contract assets" on the consolidated balance sheets.

Contract assets relate to the right of the Company to consideration for performance obligations to be satisfied over time, pertaining to sales of some goods and merchandise in the Refractories segment and construction contracts in the Furnace segment. Once the Company has an unconditional right to consideration, we reclassify contract assets to receivables from contracts with customers. The consideration is charged at the timing of inspection and acceptance by customers and received generally in one to six months in accordance with the contracts with customers.

Contract liabilities primarily relate to advances received from customers based on sales contracts of finished goods and merchandise in the Refractories and Ceramics segments for which revenue is recognized at delivery of the finished goods and merchandise. Contract liabilities are reversed as revenue is recognized.

Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period was ¥422 million.

The amount of revenue recognized in the fiscal year ended March 31, 2024 from performance obligations that were satisfied in previous periods is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations was ¥15,902 million as of March 31, 2024. The Company expects to recognize revenue for the remaining performance obligations within one to three years as performance obligations become satisfied.

The Group has applied practical expedients and excluded from the above amount information on the remaining performance obligations with an original expected duration of one year or less.

(Segments of an enterprise and related information)

[Segment information]

1. Outline of reportable segment information

The reportable segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic review to determine distribution of management resources and evaluate their business results.

The Company has business divisions categorized by the type of products and services. Each business division plans and determines strategies for the division's products and services in Japan and overseas, based on which the division conducts its operations.

The Company is composed of business segments based on the business divisions categorized by products and services and designates Refractories, Furnace, Ceramics and Real Estate as the four reportable segments.

The Refractories segment engages in the manufacture and sale of general refractories used for various industrial furnaces. The Furnace segment engages in the design, construction and repair of various furnaces. The Ceramics segment engages in the manufacture and sale of ceramics for various industries and sale of landscape materials. The Real Estate segment engages in the constructions and rental of stores and warehouses on Company-owned land.

2. Methods of measurement for the amounts of net sales, profits or losses, assets, liabilities and other items by reportable segment

The accounting treatment regarding the reportable business segments are the same as the one adopted for the preparation of consolidated financial statements.

The amounts of the reportable segment profit or loss are based on operating profit or loss. The amounts of inter-segment sales or transfers are based on current market prices.

3. Net sales, profits or losses, assets, liabilities and other items by reportable segment

For the previous fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjust-ments (Note 2)	Consolidated (Note 3)
	Refractories	Furnace	Ceramics	Real estate	Subtotal				
Net sales									
External customers	140,538	14,627	8,471	737	164,375	826	165,202	—	165,202
Inter-segment or transfer	60	248	—	—	309	—	309	(309)	—
Total	140,599	14,875	8,471	737	164,684	826	165,511	(309)	165,202
Segment profit	8,458	1,009	1,063	595	11,126	40	11,167	6	11,173
Segment assets	135,238	9,711	8,651	595	154,197	358	154,555	8,784	163,340
Other items									
Depreciation	2,526	456	332	41	3,356	19	3,375	117	3,493
Amortization of goodwill	516	—	—	—	516	—	516	—	516
Increase in property, plant and equipment and intangible assets	4,795	1,009	231	15	6,052	18	6,070	3	6,074

(Notes) 1 The "Others" category is a business segment which is not included in the reportable segments and includes production and sale of lime for steel mills.

2 Details of "Adjustments" are as follows.

(1) The adjustment of ¥6 million in segment profit primarily consists of the elimination of unrealized gains.

(2) The adjustment of ¥8,784 million in segment assets represents corporate assets not allocated to the reportable segments, which primarily consist of the long-term investment funds (investment securities) and the assets relating to the administrative department.

(3) Under the "Other items" section, the adjustment of ¥117 million in depreciation and the adjustment of ¥3 million in an increase in property, plant and equipment and intangible assets are related to corporate assets not allocated to the reportable segments.

3 Segment profit is presented so that the total reconciles with operating profit on the consolidated statements of income.

For the current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjust-ments (Note 2)	Consolidated (Note 3)
	Refractories	Furnace	Ceramics	Real estate	Subtotal				
Net sales									
External customers	151,867	15,228	8,226	737	176,059	969	177,029	—	177,029
Inter-segment or transfer	137	278	—	—	416	—	416	(416)	—
Total	152,005	15,506	8,226	737	176,475	969	177,445	(416)	177,029
Segment profit	12,673	551	851	569	14,646	48	14,695	(3)	14,692
Segment assets	146,557	10,015	9,044	712	166,330	380	166,710	12,308	179,019
Other items									
Depreciation	2,854	484	345	58	3,744	21	3,765	108	3,873
Amortization of goodwill	541	—	—	—	541	—	541	—	541
Increase in property, plant and equipment and intangible assets	4,596	339	541	175	5,653	22	5,676	11	5,687

(Notes) 1 The "Others" category is a business segment which is not included in the reportable segments and includes production and sale of lime for steel mills.

2 Details of "Adjustments" are as follows.

(1) The adjustment of ¥(3) million in segment profit primarily consists of the elimination of unrealized gains.

(2) The adjustment of ¥12,308 million in segment assets represents corporate assets not allocated to the reportable segments, which primarily consist of the long-term investment funds (investment securities) and the assets relating to the administrative department.

(3) Under the "Other items" section, the adjustment of ¥108 million in depreciation and the adjustment of ¥11 million in an increase in property, plant and equipment and intangible assets are related to corporate assets not allocated to the reportable segments.

3 Segment profit is presented so that the total reconciles with operating profit on the consolidated statements of income.

[Related information]

For the previous fiscal year (from April 1, 2022 to March 31, 2023)

1. Information about products and services

Statement is omitted as similar information is stated in “Segment information.”

2. Information about geographic areas

(1) Net sales

(Millions of yen)

Japan	India	Asia	Europe	Other	Total
90,530	33,891	10,219	18,603	11,957	165,202

(Note) Net sales are categorized by country or region based on customers’ location.

(2) Property, plant and equipment

(Millions of yen)

Japan	India	Asia	Europe	Other	Total
24,001	8,583	1,445	5,247	32	39,310

3. Information about major customers

(Millions of yen)

Customer name	Net sales	Related business segments
NIPPON STEEL CORPORATION	62,633	Refractories, Furnace, Ceramics and Others

For the current fiscal year (from April 1, 2023 to March 31, 2024)

1. Information about products and services

Statement is omitted as similar information is stated in “Segment information.”

2. Information about geographic areas

(1) Net sales

(Millions of yen)

Japan	India	Asia	Europe	Other	Total
96,265	38,552	9,723	20,685	11,801	177,029

(Note) Net sales are categorized by country or region based on customers’ location.

(2) Property, plant and equipment

(Millions of yen)

Japan	India	Asia	Europe	Other	Total
24,447	10,829	1,382	5,961	72	42,693

3. Information about major customers

(Millions of yen)

Customer name	Net sales	Related business segments
NIPPON STEEL CORPORATION	69,856	Refractories, Furnace, Ceramics and Others

[Information about impairment loss on non-current assets of each reportable segment]
For the previous fiscal year (from April 1, 2022 to March 31, 2023)
Not applicable

For the current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segments					Others	Corporate/ Elimination	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal			
Impairment losses	–	–	–	–	–	112	62	174

(Note) Details of impairment losses are stated in “V. Financial Information, 1. Consolidated Financial Statements, etc., [Notes], (Notes to Consolidated Statements of Income), *7. Impairment losses.”

[Information about amortization of goodwill and unamortized balance of each reportable segment]
For the previous fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segments					Others	Corporate/ Elimination	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal			
(Goodwill)								
Goodwill at the end of year	3,852	–	–	–	3,852	–	–	3,852

(Note) Amount of amortization of goodwill is omitted as the similar information is stated in “Segment information.”

For the current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segments					Others	Corporate/ Elimination	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal			
(Goodwill)								
Goodwill at the end of year	3,733	–	–	–	3,733	–	–	3,733

(Note) Amount of amortization of goodwill is omitted as the similar information is stated in “Segment information.”

[Information about gain on negative goodwill of each reportable segment]
Not applicable

[Information on related parties]
1. Transactions between related parties
(1) Transactions between the Filing Company and related parties
(i) Parent company and major corporate shareholders of the Filing Company, etc.

For the previous fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen unless otherwise stated)

Type	Name	Location	Paid-in capital	Business outline	Ratio of voting rights holding (held)
Parent company	NIPPON STEEL CORPORATION	Chiyoda-ku, Tokyo	419,524	Steel business and others	Direct: 46.9% Indirect: 0.0%

Type	Name	Relationship	Summary of transactions	Amount of transaction	Item	Outstanding amount at the end of the fiscal year
Parent company	NIPPON STEEL CORPORATION	Sales of the Company’s products and purchase of materials	Sales of refractory products	62,633	Notes and accounts receivable - trade, and contract assets	30,956

Notes: 1 Terms and conditions of transactions and their policies, etc.
When selling products and purchasing materials, the Company quotes asking prices in consideration of market prices and overall costs, and makes deals, after negotiations, based on the terms and conditions just as those for other customers unrelated to the Company.

For the current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen unless otherwise stated)

Type	Name	Location	Paid-in capital	Business outline	Ratio of voting rights holding (held)
Parent company	NIPPON STEEL CORPORATION	Chiyoda-ku, Tokyo	419,799	Steel business and others	Direct: 46.9% Indirect: 0.0%

Type	Name	Relationship	Summary of transactions	Amount of transaction	Item	Outstanding amount at the end of the fiscal year
Parent company	NIPPON STEEL CORPORATION	Sales of the Company’s products and purchase of materials	Sales of refractory products	69,856	Notes and accounts receivable - trade, and contract assets	36,887
		Borrowing of funds	Borrowing of funds	5,000	Short-term borrowings	5,000

Notes: 1 Terms and conditions of transactions and their policies, etc.
When selling products and purchasing materials, the Company quotes asking prices in consideration of market prices and overall costs, and makes deals, after negotiations, based on the terms and conditions just as those for other customers unrelated to the Company.
The interest rates applicable when borrowing funds are reasonably determined upon taking into account market rates.

(ii) Subsidiaries of the Filing Company's parent company and the subsidiaries of other companies who hold the Filing Company as associate

For the previous fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen unless otherwise stated)

Type	Name	Location	Paid-in capital	Business outline	Ratio of voting rights holding (held)
Subsidiary of parent company	NIPPON STEEL FINANCE Co., Ltd.	Chiyoda-ku, Tokyo	1,000	Loan of money, purchase of monetary claims	−%

Type	Name	Relationship	Summary of transactions	Amount of transaction	Item	Outstanding amount at the end of the fiscal year
Subsidiary of parent company	NIPPON STEEL FINANCE Co., Ltd.	Sale of the Company's trade receivables	Sale of the Company's trade receivables	17,127	Accounts receivable – other	4,521

Note: 1. Terms and conditions of transactions and their policies, etc.
For the sale of the Company's trade receivables to NIPPON STEEL FINANCE Co., Ltd., the Company concluded a basic agreement with the company, and transferred the receivables accordingly.

For the current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen unless otherwise stated)

Type	Name	Location	Paid-in capital	Business outline	Ratio of voting rights holding (held)
Subsidiary of parent company	NIPPON STEEL FINANCE Co., Ltd.	Chiyoda-ku, Tokyo	1,000	Loan of money, purchase of monetary claims	−%

Type	Name	Relationship	Summary of transactions	Amount of transaction	Item	Outstanding amount at the end of the fiscal year
Subsidiary of parent company	NIPPON STEEL FINANCE Co., Ltd.	Sale of the Company's trade receivables	Sale of the Company's trade receivables	16,479	Accounts receivable – other	4,000

Notes: 1. Terms and conditions of transactions and their policies, etc.
For the sale of the Company's trade receivables to NIPPON STEEL FINANCE Co., Ltd., the Company concluded a basic agreement with the company, and transferred the receivables accordingly.

2. Notes to the parent company or other important associates

(1) Information on the parent company

NIPPON STEEL CORPORATION (listed on the Tokyo, Nagoya, Fukuoka and Sapporo stock exchanges)

(2) Financial statements of other important associates

Not applicable

(Per share information)

Item	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Net assets per share	¥2,182.92	¥2,588.21
Basic earnings per share	¥245.86	¥368.64

Notes: 1. Diluted earnings per share is not stated because there are no dilutive shares.

2. The Company conducted a 4-for-1 stock split of its common shares on April 1, 2024. Accordingly, “Net assets per share” and “Basic earnings per share” are calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

3. The basis for calculation of basic earnings per share is as follows.

(Millions of yen unless otherwise stated)

Item	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Profit attributable to owners of parent	8,282	12,416
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent related to common shares	8,282	12,416
Weighted average number of common shares during the fiscal year (Thousands of shares)	33,685	33,681

4. The basis for calculation of net assets per share is as follows.

(Millions of yen unless otherwise stated)

Item	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Total net assets	77,858	92,697
Amount deducted from the total net assets	4,330	5,531
[Non-controlling interests included in the above]	[4,330]	[5,531]
Amounts of net assets related to common shares at the end of the fiscal year	73,528	87,166
Number of common shares used to calculate net assets per share at the end of the fiscal year (Thousands of shares)	33,683	33,678

(Significant subsequent events)

(Notice of stock split and partial amendment to the Articles of Incorporation)

Based on the resolution at the Board of Directors’ meeting held on January 31, 2024, the Company conducted a stock split on April 1, 2024 and made a partial amendment to its Articles of Incorporation in connection with the stock split.

1. Purpose of the Stock Split

The purpose of the stock split is to increase the liquidity of the Company’s shares and to broaden the investor base by reducing the amount per investment unit.

2. Outline of the Stock Split

(1) Method of the stock split

The Company conducted a 4-for-1 stock split of its common shares held by shareholders listed or recorded in the Company’s shareholder registry as of the end of Sunday, March 31, 2024 (effectively Friday, March 29, 2024, as the above date is a holiday of the shareholder registry administrator).

(2) Number of shares to be increased by the stock split

1)	Total number of issued shares before the stock split	9,114,528 shares
2)	Number of shares to be increased by the stock split	27,343,584 shares
3)	Total number of issued shares after the stock split	36,458,112 shares
4)	Total number of shares authorized to be issued after the stock split	140,000,000 shares

(3) Schedule of the stock split

1)	Date of public notice of record date	Thursday, March 14, 2024
2)	Record date	Sunday, March 31, 2024
3)	Effective date	Monday, April 1, 2024

(4) Impact of the stock split on per share information

The impact has been described in "1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, [Notes] Per share information."

(5) Other

There will be no change in the amount of share capital because of this stock split.

3. Partial Amendment to the Articles of Incorporation in Connection with the Stock Split

(1) Reason for the amendment

In accordance with the stock split, the total number of authorized shares in Article 6 of the Company's Articles of Incorporation was changed as of Monday, April 1, 2024, pursuant to Article 184, Paragraph 2, of the 2 Companies Act.

(2) Details of the amendment

Details of the amendment are as follows.

(Underlined parts indicate the amendment.)

Current Articles of Incorporation	Amended Articles of Incorporation
(Total Number of Authorized Shares) Article 6 The total number of authorized shares of the Company shall be <u>35,000,000</u> shares.	(Total Number of Authorized Shares) Article 6 The total number of authorized shares of the Company shall be <u>140,000,000</u> shares.

(3) Schedule of the amendment

1)	Date of resolution by the Board of Directors	Wednesday, January 31, 2024
2)	Effective date	Monday, April 1, 2024

4. Dividends

Because the stock split is scheduled to take effect on April 1, 2024, the year-end dividend for the fiscal year ending March 31, 2024, with a record date of March 31, 2024, is based on the number of shares before the stock split.

5) Consolidated supplemental schedules

[Schedule of bonds]

Not applicable

[Schedule of borrowings]

Category	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	6,038	9,386	2.14	—
Current portion of long-term borrowings	4,879	4,999	0.91	—
Long-term borrowings (excluding current portion)	17,465	19,495	0.48	From 2025 to 2030
Other interest-bearing liabilities Commercial papers	11,000	3,000	0.07	—
Total	39,384	36,881	—	—

(Notes) 1. Average interest rate represents weighted average interest rate for the balance at the end of the current fiscal year.

2. The redemption schedule of long-term borrowings for 5 years subsequent to March 31, 2023, is summarized as follows:

(Millions of yen)

Category	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Long-term borrowings	6,661	4,161	4,161	4,503
Total	6,661	4,161	4,161	4,503

[Schedule of asset retirement obligations]

Schedule is omitted as the balances of asset retirement obligations at the beginning and the end of the current fiscal year were 1% or less of the total balance of liabilities and net assets at the beginning and the end of the current fiscal year.

(2) [Others]

Quarterly Information for the current fiscal year

(Millions of yen unless otherwise stated)

Cumulative period	First Quarter (Three months ended June 30, 2023)	Second Quarter (Six months ended Sept. 30, 2023)	Third Quarter (Nine months ended Dec. 31, 2023)	Fourth Quarter (Fiscal year ended March 31, 2024)
Net sales	45,357	89,399	134,349	177,029
Profit before income taxes	4,728	10,041	14,473	18,385
Profit attributable to owners of parent	3,078	6,619	9,532	12,416
Basic earnings per share (Yen)	91.38	196.52	283.01	368.64

Each quarter	First Quarter (From April 1, 2023 to June 30, 2023)	Second Quarter (From July 1, 2023 to Sept. 30, 2023)	Third Quarter (From Oct. 1, 2023 to Dec. 31, 2023)	Fourth Quarter (From Jan. 1, 2024 to March 31, 2024)
Basic earnings per share (Yen)	91.38	105.14	86.49	85.63

(Note) The Company conducted a 4-for-1 stock split of its common shares on April 1, 2024. Accordingly, “Basic earnings per share” is calculated on the assumption that the stock split was implemented at the beginning of the current fiscal year.

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheets

(Millions of yen)

		Previous fiscal year (As of March 31, 2023)		Current fiscal year (As of March 31, 2024)
Assets				
Current assets				
Cash and deposits		1,746		2,718
Notes receivable - trade		1,710	*3	1,592
Accounts receivable - trade	*1	40,057	*1	43,108
Contract assets		3,308		7,750
Merchandise and finished goods		8,753		8,364
Work in process		3,160		3,520
Raw materials and supplies		6,670		6,216
Advance payments to suppliers		756		219
Prepaid expenses		460		540
Other	*1	6,179	*1	5,754
Allowance for doubtful accounts		(0)		-
Total current assets		72,802		79,786
Non-current assets				
Property, plant and equipment				
Buildings		8,808		8,798
Structures		1,013		1,085
Machinery and equipment		6,363		6,649
Vehicles		122		123
Tools, furniture and fixtures		891		1,157
Land		5,870		5,806
Construction in progress		930		680
Total property, plant and equipment		24,001		24,299
Intangible assets				
Software		70		104
Other		37		36
Total intangible assets		108		140
Investments and other assets				
Investment securities		6,639		6,104
Shares of subsidiaries and associates		18,895		18,895
Investments in capital of subsidiaries and associates		1,956		1,956
Distressed receivables		30		30
Prepaid pension costs		1,045		1,143
Long-term prepaid expenses		103		52
Other		135		136
Allowance for doubtful accounts		(44)		(39)
Total investments and other assets		28,761		28,278
Total non-current assets		52,871		52,718
Total assets		125,673		132,505

(Millions of yen)

		Previous fiscal year (As of March 31, 2023)		Current fiscal year (As of March 31, 2024)
Liabilities				
Current liabilities				
Accounts payable - trade	*1	9,334	*1	10,571
Electronically recorded obligations - operating		7,458	*3	6,443
Short-term borrowings		-	*1	5,800
Current portion of long-term borrowings		4,000		4,500
Commercial papers		11,000		3,000
Accounts payable - other	*1	4,320	*1	3,347
Income taxes payable		863		2,018
Advances received		401		81
Deposits received	*1	567	*1	900
Provision for bonuses		2,860		3,390
Provision for loss on construction contracts		27		111
Asset retirement obligations		-		45
Other		716		1,194
Total current liabilities		41,550		41,405
Non-current liabilities				
Long-term borrowings		17,000		19,000
Long-term accounts payable - other		532		547
Deferred tax liabilities		929		558
Provision for retirement benefits		82		92
Provision for retirement benefits for directors (and other officers)		310		352
Long-term leasehold and guarantee deposits received		1,616		1,614
Asset retirement obligations		25		137
Total non-current liabilities		20,496		22,302
Total liabilities		62,047		63,708
Net assets				
Shareholders' equity				
Share capital		5,537		5,537
Capital surplus				
Legal capital surplus		5,138		5,138
Total capital surplus		5,138		5,138
Retained earnings				
Legal retained earnings		1,250		1,250
Other retained earnings				
Reserve for tax purpose reduction entry		838		779
General reserve		4,517		4,517
Retained earnings brought forward		44,125		49,651
Total retained earnings		50,731		56,198
Treasury shares		(1,654)		(1,669)
Total shareholders' equity		59,753		65,205
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		3,716		3,575
Deferred gains or losses on hedges		155		15
Total valuation and translation adjustments		3,872		3,591
Total net assets		63,625		68,796
Total liabilities and net assets		125,673		132,505

2) Non-consolidated Statements of Income

(Millions of yen)

		Previous fiscal year (From April 1, 2022 to March 31, 2023)		Current fiscal year (From April 1, 2023 to March 31, 2024)
Net sales	*1	100,357	*1	107,349
Cost of sales	*1	84,527	*1	88,912
Gross profit		15,830		18,437
Selling, general and administrative expenses	*1, *2	11,023	*1, *2	11,490
Operating profit		4,806		6,947
Non-operating income				
Interest income		1		4
Dividend income	*1	1,238	*1	1,446
Rent income and management fee	*1	59	*1	54
Foreign exchange gains		848		1,364
Other		153		204
Total non-operating income		2,300		3,074
Non-operating expenses				
Interest expenses	*1	26	*1	41
Loss on removal of non-current assets		355		192
Other		133		174
Total non-operating expenses		515		408
Ordinary profit		6,591		9,612
Extraordinary income				
Gain on sale of non-current assets		115		90
Gain on sale of investment securities		1		1,545
Gain on sales of investments in capital		118		-
Total extraordinary income		235		1,636
Extraordinary losses				
Loss on sale of non-current assets		47		14
Loss on retirement of non-current assets		52		193
Impairment losses		-		174
Other		-		0
Total extraordinary losses		100		382
Profit before income taxes		6,726		10,865
Income taxes - current		1,536		2,786
Income taxes - deferred		(33)		(251)
Total income taxes		1,503		2,535
Profit		5,223		8,329

3) Non-consolidated Statements of Changes in Net Assets

For the previous fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity		
		Capital surplus	
	Share capital	Legal capital surplus	Total capital surplus
Balance at beginning of period	5,537	5,138	5,138
Changes during period			
Dividends of surplus			
Reversal of reserve for tax purpose reduction entry			
Profit			
Purchase of treasury shares			
Net changes in items other than shareholders' equity			
Total changes during period	−	−	−
Balance at end of period	5,537	5,138	5,138

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			Total retained earnings
		Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward	
Balance at beginning of period	1,250	871	4,517	40,637	47,276
Changes during period					
Dividends of surplus				(1,768)	(1,768)
Reversal of reserve for tax purpose reduction entry		(32)		32	−
Profit				5,223	5,223
Purchase of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	−	(32)	−	3,487	3,454
Balance at end of period	1,250	838	4,517	44,125	50,731

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(1,650)	56,303	2,001	199	2,201	58,504
Changes during period						
Dividends of surplus		(1,768)				(1,768)
Reversal of reserve for tax purpose reduction entry		—				—
Profit		5,223				5,223
Purchase of treasury shares	(4)	(4)				(4)
Net changes in items other than shareholders' equity			1,714	(44)	1,670	1,670
Total changes during period	(4)	3,450	1,714	(44)	1,670	5,121
Balance at end of period	(1,654)	59,753	3,716	155	3,872	63,625

For the current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity		
	Share capital	Capital surplus	
		Legal capital surplus	Total capital surplus
Balance at beginning of period	5,537	5,138	5,138
Changes during period			
Dividends of surplus			
Reversal of reserve for tax purpose reduction entry			
Profit			
Purchase of treasury shares			
Net changes in items other than shareholders' equity			
Total changes during period	-	-	-
Balance at end of period	5,537	5,138	5,138

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			Total retained earnings
		Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward	
Balance at beginning of period	1,250	838	4,517	44,125	50,731
Changes during period					
Dividends of surplus				(2,863)	(2,863)
Reversal of reserve for tax purpose reduction entry		(59)		59	-
Profit				8,329	8,329
Purchase of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	-	(59)	-	5,526	5,466
Balance at end of period	1,250	779	4,517	49,651	56,198

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(1,654)	59,753	3,716	155	3,872	63,625
Changes during period						
Dividends of surplus		(2,863)				(2,863)
Reversal of reserve for tax purpose reduction entry		-				-
Profit		8,329				8,329
Purchase of treasury shares	(14)	(14)				(14)
Net changes in items other than shareholders' equity			(141)	(139)	(280)	(280)
Total changes during period	(14)	5,452	(141)	(139)	(280)	5,171
Balance at end of period	(1,669)	65,205	3,575	15	3,591	68,796

[Notes]
(Significant accounting policies)
1. Evaluation standards and methods for assets
(1) Evaluation standards and methods for marketable and investment securities
1) Shares of subsidiaries and associates
Stated at cost by the moving-average method
2) Available-for-sale securities
Available-for-sale securities other than shares, etc. that do not have a market price:
Stated at fair market value based on the quoted market price at the fiscal year-end (Any valuation difference is accounted for directly as a component of net assets and the cost of sold securities are computed by the moving-average method).
Shares, etc. that do not have a market price:
Stated at cost determined by the moving-average method.

(2) Evaluation standards and methods for receivables and payables arising from derivatives
Fair value method

(3) Evaluation standards and methods for inventories
Stated at cost determined by the moving-average method (designed to reduce book value according to decreased profitability of assets).
However, partly-completed work and uncompleted construction contracts are stated at cost determined by the specific identification method (This method is designed to reduce book value according to decreased profitability of assets).

2. Depreciation methods for non-current assets
(1) Property, plant and equipment
Stated using the straight-line method.
The Company uses useful lives stipulated in the Corporation Tax Act in principle. Internally prescribed useful lives are partially applied for machinery, equipment, and the buildings and structures relating to shopping centers in the Real Estate business. Such assets include tunnel kilns (9 years), machinery and equipment (9 years), and buildings and structures relating to shopping centers in the Real Estate business (lease contract terms).

(2) Intangible assets
Straight-line method
Software for internal use is amortized over an estimated useful life of 5 years.

(3) Long-term prepaid expenses
Straight-line method

3. Accounting policies for revenue and expenses

The details of the main performance obligations in the major businesses related to revenue from contracts with the Company's customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows.

(1) Sales of merchandise and finished goods

In the Refractories and Ceramics segments, the Company mainly engages in the manufacture and sales of refractories and ceramics. It is deemed that in many cases, customers obtain control of finished goods and merchandise and performance obligations are satisfied when theses finished goods and merchandise are delivered, and revenue is therefore recognized mainly when theses finished goods and merchandise are delivered. However, for transactions in which control of finished goods and merchandise is transferred to customers when they are delivered, in practice, revenue is recognized at shipment in accordance with Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30; March 26, 2021). In addition, revenue from sales of some finishes goods and merchandise is recognized when inspection and acceptance are completed by the customer as they require a certain period from delivery to inspection and acceptance by the customer.

The Company receives consideration for transactions related to the Refractories and Ceramics segments generally within one to six months after delivery of the finished goods and merchandise, and receivables arising from such contracts with customers are not adjusted for the effects of a significant financing component.

(2) Construction contracts

In the Furnace segment, the Company mainly concludes construction contracts to design, construct, install and repair various kinds of furnaces. As control is transferred over time in these contracts, performance obligations are deemed to be satisfied over time, and revenue is recognized based on construction progress. As for the method to estimate the extent of progress toward satisfaction of performance obligations, the ratio of the cost incurred to the estimated total cost (input method) is being used.

However, revenue for construction contracts with small contract amounts and very short construction periods is not recognized over time and instead is recognized when inspection and acceptance are completed by the customer.

The Company receives consideration for transactions related to the Furnace segment generally within one to six months after satisfaction of performance obligations, and receivables arising from such contracts with customers are not adjusted for the effects of a significant financing component.

4. Accounting policies for allowances and provisions

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on the collection of accounts, loans and other receivables. The amount of the allowance is computed based on the past rate of actual losses, and the estimated irrecoverable portion of specific doubtful receivables.

(2) Provision for bonuses

Provision for bonuses is computed based on expected amount to prepare for bonuses of employees.

(3) Provision for loss on construction contracts

To prepare for future losses on construction contracts, etc., an accrual is provided based on the estimated losses on undelivered construction contracts.

(4) Provision for retirement benefits

To provide for employees' retirement benefits, the Company makes a provision for estimated retirement benefits for the current fiscal year, based on the projected benefit obligations and related plan assets as of the end of the current fiscal year.

1) Periodic allocation of expected retirement benefits

In calculating projected benefit obligations, the attribution on a benefit formula basis is applied for allocation of expected retirement benefits to periods until the end of the current fiscal year.

2) Amortization of actuarial differences and past service costs

Actuarial differences are amortized by the straight-line method over a period of 10 years beginning from the fiscal year following the time of occurrence.

Past service costs are amortized by the straight-line method over a period of 10 years beginning from the fiscal year of occurrence.

(5) Provision for retirement benefits for directors (and other officers)

Provision for retirement benefits for directors (and other officers) is prepared at an amount to be required at the end of the fiscal year according to internal regulations.

At the meeting of its Board of Directors held on May 22, 2019, the Company resolved to abolish the system of retirement benefits for officers applicable to directors and auditors upon the conclusion of the Annual Shareholders' Meeting held on June 27, 2019. Accordingly, at the same Annual Shareholders' Meeting, shareholders approved the following: to pay the directors and auditors retirement benefits as final payments within an amount commensurate with their term of office until the conclusion of the Annual Shareholders' Meeting in accordance with the Company's internal standards; to make the final payment upon the retirement of each director and auditor; and to leave the decisions on the specific amounts and the methods of payment to the discretion of the Board of Directors regarding the payment to the directors and to the deliberation among the auditors regarding the payment to the auditors. As a result, the Company continues to report a provision for retirement benefits for directors (and other officers), including the estimated amount of these payments.

5. Other significant accounting policies as bases for the preparation of financial statements

(1) Hedge accounting method

1) Hedge accounting method

The Company adopts the deferred hedge accounting method.

For currency swaps contracts whose amounts, currency and period meet the conditions of hedged items, the "assigning" method is adopted. In addition, for interest swaps whose amounts, index and period meet the conditions for hedged items, the "exceptional" method is adopted.

2) Hedging instruments and hedged items

Hedging instruments:

Forward foreign exchange contracts, interest rate swap contracts, currency swap contracts

Hedged items:

Foreign currencies forecasted transactions, foreign currencies receivables or payables, borrowings

3) Hedging policy

Forward foreign exchange contracts are used to hedge foreign exchange rates risks within the range of actual demand and not for dealing aimed at attaining earnings. Interest rate swap contracts and currency swap contracts are used to hedge the exposure to the risk of fluctuations in interest rates or currency.

4) Method for evaluating hedging effectiveness

The effectiveness of hedging is assessed by confirming a high level of correlation between the accumulated total of market fluctuations or cash flows of hedged items and that of hedging instruments. However, assessments on effectiveness are omitted for currency swaps using the "assigning" method and interest swaps using the "exceptional" method.

(2) Accounting method for retirement benefits

The accounting method for actuarial gains and losses and past service costs that are yet to be recognized is different from that applied for the consolidated financial statements.

(Notes to Non-consolidated Balance Sheets)

*1. Assets and liabilities related to subsidiaries and associates

Followings are monetary receivables and payables related to subsidiaries and associates that were not separately presented on the balance sheets:

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Short-term monetary receivables	31,499	35,431
Short-term monetary payables	1,583	6,928

2. Contingent liabilities

(1) Guarantee obligation

Loans to the following companies, etc. have been guaranteed by the Company:

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Employees	208	206
Krosaki USA Inc.	1,135	227
TRL KROSAKI CHINA LIMITED	318	47
Total	1,662	481

*3. Notes maturing at the end of the fiscal year are accounted for as settled on the clearance date.

As the end of the fiscal year under review was a bank holiday, the following notes maturing at the end of the fiscal year are included year-end balance.

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Notes receivable - trade	-	126
Electronically recorded obligations - operating	-	1,119

(Notes to Non-consolidated Statements of Income)

*1. Amounts of business transactions with subsidiaries and associates and transactions with subsidiaries and associates other than business transactions

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Net sales	67,881	76,283
Purchase of goods	16,717	17,334
Transactions other than business transactions	1,072	1,324

*2. Major components, amounts and approximate proportion of selling, general and administrative expenses are as follows:

(Millions of yen unless otherwise stated)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Shipment and haulage expenses	1,832	1,807
Directors' and auditors' compensations and salaries	2,665	2,734
Provision for bonuses	866	943
Provision for retirement benefits for directors (and other officers)	86	92
Retirement benefit costs	160	165
Other personnel expenses	1,589	1,640
Research and development costs	993	1,158
Depreciation	155	140
Approximate proportion		
Selling expenses	18.2%	16.7%
General and administrative expenses	81.8%	83.3%

(Notes to securities)

The fair value of shares of subsidiaries and associates is not presented because these shares are among shares, etc. that do not have a market price.

Shares of subsidiaries and associates whose quoted market prices are not available, and amounts thereof on the balance sheets are as follows.

(Millions of yen)

Item	Previous fiscal year	Current fiscal year
Shares of subsidiaries	17,485	17,485
Shares of associates	1,410	1,410
Total	18,895	18,895

(Notes to the method of tax effect accounting)

1. Breakdown of major factors that caused deferred tax assets and liabilities

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Deferred tax assets		
Depreciation	642	589
Provision for retirement benefits for directors (and other officers)	94	107
Provision for retirement benefits	25	28
Allowance for doubtful accounts	13	11
Book value of share trust	117	117
Provision for bonuses	869	1,030
Impairment losses	257	253
Loss from adjustment to gain on sale of land	111	80
Other	523	663
Subtotal	2,655	2,882
Valuation allowance	(573)	(556)
Total deferred tax assets	2,082	2,326
Deferred tax liabilities		
Forward foreign exchange	(67)	(6)
Prepaid pension cost	(317)	(347)
Reserve for tax purpose reduction entry of non-current assets	(426)	(399)
Valuation difference on available-for-sale securities	(1,587)	(1,528)
Valuation difference of land accompanied by business combinations	(612)	(602)
Total deferred tax liabilities	(3,011)	(2,885)
Balance of net deferred tax assets (liabilities)	(929)	(558)

2. Breakdown of items which caused the difference between the statutory tax rate and the effective tax rate after adoption of tax effect accounting

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Normal effective statutory tax rate	30.4%	30.4%
(Adjustments)		
Entertainment expenses and other expenses not counted for tax purposes	0.4%	0.3%
Dividend income and other items not counted for tax purposes	(4.7%)	(3.6%)
Valuation allowance	(0.5%)	(0.1%)
Inhabitant tax on per capita basis	0.7%	0.4%
Tax credits for research and development	(0.9%)	(1.1%)
Tax credits under tax measure to promote wage increases	(3.9%)	(3.3%)
Withholding tax on dividends from foreign subsidiaries	1.4%	0.9%
Other	(0.4%)	(0.4%)
Actual effective tax rate	22.3%	23.3%

(Notes to revenue recognition)

Useful information in understanding revenue from contracts with customers is omitted as the same information is presented in "Notes (Notes to revenue recognition)" in the consolidated financial statements.

(Significant subsequent events)

(Notice of stock split and partial amendment to the Articles of Incorporation)

Statement has been omitted as the same information is presented in "1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, [Notes] (Significant subsequent events)" in the consolidated financial statements.

4) [Supplemental schedules]

[Schedule of property, plant and equipment, etc.]

(Millions of yen)

Category	Type of asset	Balance at the beginning of the current fiscal year	Increase during the period	Decrease during the period	Depreciation or amortization during the period	Balance at the end of the current fiscal year	Accumulated depreciation or amortization at the end of the current fiscal year
Property, plant and equipment	Buildings	8,808	760	162 (158)	607	8,798	23,039
	Structures	1,013	182	10	100	1,085	4,924
	Machinery and equipment	6,363	1,401	13	1,102	6,649	42,667
	Vehicles	122	66	0	65	123	956
	Tools, furniture and fixtures	891	603	19	318	1,157	3,286
	Land	5,870	–	64 (15)	–	5,806	–
	Construction in progress	930	2,672	2,923	–	680	–
	Total	24,001	5,686	3,194 (174)	2,193	24,299	74,873
Intangible assets	Software	70	69	–	36	104	1,226
	Other	37	–	–	0	36	237
	Total	108	69	–	36	140	1,463

(Note) 1. Figures shown in parentheses "( )" in decrease during the period indicate impairment losses.

2. Major increases in "Increase during the period" are as follows:

Machinery and equipment: Yahata Plant, Production equipment ¥282 million
Machinery and equipment: Yahata Plant, Production equipment ¥141 million
Machinery and equipment: Yahata Plant, Production equipment ¥101 million

[Schedule of allowances]

(Millions of yen)

Category	Balance at the beginning of the current fiscal year	Increase during the period	Decrease during the period	Balance at the end of the current fiscal year
Allowance for doubtful accounts	44	–	5	39
Provision for bonuses	2,860	3,390	2,860	3,390
Provision for loss on construction contracts	27	87	3	111
Provision for retirement benefits for directors (and other officers)	310	92	50	352

(2) Details of major assets and liabilities

Statement is omitted because the Company prepares consolidated financial statements.

(3) Others

Not applicable

VI. Stock-Related Administration for the Filing Company

Fiscal year	From April 1 to March 31
Annual Shareholders' Meeting	In June
Record date	March 31
Record date for distribution from surplus	September 30 and March 31
Number of shares constituting one unit	100 shares
Purchase of shares below one unit	
Handling office	(Special account) 2-14-2, Tenjin, Chuo-ku, Fukuoka City, Fukuoka Japan Securities Agents, Ltd. Fukuoka Branch
Transfer agent	(Special account) 1-2-4, Kayabacho, Nihombashi, Chuo-ku, Tokyo Japan Securities Agents, Ltd.
Purchasing fee	Free
Method of public notice	The Company's method of public notice is through electronic public notice. However, if the above-mentioned method of public notice is not possible due to an accident or through other compelling reasons, then Nihon Keizai Shimbun will be adopted as its medium. The Company's electronic public notice is posted on its website, and the following is the address: https://www.krosaki.co.jp/
Shareholders' benefits	None

(Notes) 1. The Company's shareholders, concerning the possession of shares below one unit, are not able to exercise their rights other than the rights that are stipulated in the following:
(1) The rights stipulated in each item of Article 189, Paragraph 2, of the Companies Act;
(2) The right to demand what is stipulated under Article 166, Paragraph 1, of the Companies Act; and
(3) The right to receive an allotment of offered shares and offered new subscription rights to shares in proportion to the number of shares held.
2. Transfer agent of the Company is Sumitomo Mitsui Trust Bank, Limited (address of the headquarters and handling office: 1-4-1, Marunouchi, Chiyoda-ku, Tokyo).

VII. Reference Information on the Filing Company

1. Information on a Parent Company, etc. of the Filing Company
   The Company does not have a parent company or other entity that is provided in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information
   The Company submitted the following documents during the period from the starting date of the current fiscal year to the date on which the Annual Securities Report was submitted.

(1) Annual Securities Report and documents attached thereto, and Document of Confirmation thereof
The Annual Securities Report for the 132nd fiscal year (from April 1, 2022 to March 31, 2023) and documents attached thereto, and Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on June 29, 2023.

(2) Internal Control Report and documents attached thereto
The Internal Control Report and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on June 29, 2023.

(3) Quarterly Securities Report and Document of Confirmation thereof
The Quarterly Securities Report for the First Quarter (from April 1, 2023 to June 30, 2023) of the 133rd fiscal year and the Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on August 8, 2023.
The Quarterly Securities Report for the Second Quarter (from July 1, 2023 to September 30, 2023) of the 133rd fiscal year and the Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on November 13, 2023.
The Quarterly Securities Report for the Third Quarter (from October 1, 2023 to December 31, 2023) of the 133rd fiscal year and the Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on February 13, 2024.

(4) Extraordinary Report
The Extraordinary Report according to the provision of Article 19, Paragraph 2, Item 9-2 (Results of exercise of voting rights at the shareholders' general meetings) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. was submitted to the Director-General of the Kanto Local Finance Bureau on July 3, 2023.

(5) Amendment Report for Extraordinary Report
The Amendment Report (The Amendment Report for the Extraordinary Report submitted to the Director-General of the Kanto Local Finance Bureau on July 3, 2023, as described in (4) above) was submitted to the Director-General of the Kanto Local Finance Bureau on August 3, 2023.

(6) Amended Shelf Registration Statements (straight bond)
Submitted to the Director-General of the Kanto Local Finance Bureau on July 3, 2023
Submitted to the Director-General of the Kanto Local Finance Bureau on August 3, 2023

Part II　Information on Guarantors for the Filing Company

Not applicable

Independent Auditor's Report on the Financial Statements
and
Internal Control Over Financial Reporting

June 26, 2024

To the Board of Directors of KROSAKI HARIMA CORPORATION.

KPMG AZSA LLC
Fukuoka Office

Yoshinao Abe (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takahiro Toyama (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Consolidated Financial Statement Audit

Opinion

We have audited the accompanying consolidated financial statements of KROSAKI HARIMA CORPORATION and its consolidated subsidiaries provided in the "Financial Information" section in the company's Annual Securities Report, which comprise the consolidated balance sheets as at March 31, 2024, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KROSAKI HARIMA CORPORATION and its consolidated subsidiaries as at March 31, 2024, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Independent Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with provisions related to professional ethics in Japan, and we have fulfilled our other ethical responsibilities as an independent auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Existence of net sales of the Refractories business and the appropriateness of period attribution	
Key audit matter description and reasons for selection thereof	How the key audit matter was addressed in the audit
Of the ¥177,029 million in net sales recorded in the Consolidated Statement of Income for the current fiscal year, net sales from the core business, the Refractories business, i.e. ¥151,867 million account for a major part or approximately 86% of total net sales, and the net sales of the Refractories business mainly comprise sales from KROSAKI HARIMA CORPORATION and TRL KROSAKI REFRACTORIES LIMITED, its consolidated subsidiary in India. As stated in "[Notes] (Significant matters providing the basis for the preparation of consolidated financial statements), 4. Significant accounting policies, (3) Accounting policies for revenue and expenses," in the sales of merchandise and finished goods in the Refractories business, revenue is recognized mainly when these finished goods and merchandise are delivered. However, for transactions in which control of finished goods and merchandise is transferred to customers when they are delivered, revenue is recognized at shipment in accordance with Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" In addition, for some finished goods and merchandise that require a certain period from delivery to inspection and acceptance by the customer, revenue is recognized when inspection and acceptance are completed by the customer. Revenue is an important indicator for both management and the users of consolidated financial statements. Furthermore, as KROSAKI HARIMA CORPORATION releases business performance forecasts, the net sales of the Refractories business, which make up the greater part of total net sales carry the inherent risk of reporting fictitious net sales or attributing net sales to inappropriate accounting periods to achieve the budget, and consequently, the audits thereof require particular attention. Based on the above, we have determined that the existence of net sales of the Refractories business and the appropriateness of period attribution are of particular importance in the audit of the consolidated financial statements for the current fiscal year and constitute a key audit matter.	Our audit procedures related to the existence of net sales of the Refractories business and the appropriateness of period attribution included the following, among others. In addition, we instructed the auditors of TRL KROSAKI REFRACTORIES LIMITED to conduct an audit, received a report on the results of implementation of audit procedures including the following, and assessed whether sufficient and appropriate audit evidence has been obtained. (1) Assessment of internal controls We assessed the design and operating effectiveness of internal controls relating to the recognition process of net sales from the Refractories business. (2) Examination of the existence of net sales of the Refractories business and the appropriateness of period attribution ・We verified the reasonableness of transactions input directly into the accounting system through journal entries, without going through the sales system. ・We confirmed whether there were any large negative amounts reported under net sales after the closing date. ・Among the net sales for a given period before the closing date, we identified sales transactions, which we deemed to be important and compared the dates on which net sales were reported against the dates on the receipts and other documents obtained from the shipping companies.

Other Information

The other information comprises information contained in the Annual Securities Report other than the consolidated financial statements, the financial statements, and audit reports on them. Management is responsible for the preparation and disclosure of the other information. Auditors and the Board of Auditors are responsible for monitoring the execution of the duties of Directors related to designing and operating the reporting process of the other information.
Our opinion on the consolidated financial statements does not cover the other information, and we do not express an audit opinion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of the other

information, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of Management and Auditors and the Board of Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.
Auditors and the Board of Auditors are responsible for overseeing the Directors' performance of their duties related to designing and operating the financial reporting process.

Independent Auditor's Responsibility for the Audit of the Consolidated Financial Statements

The independent auditor's responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report based on the audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.
In accordance with auditing standards generally accepted in Japan, the independent auditor exercises professional judgment in the audit process and performs the following while maintaining professional skepticism:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and perform audit procedures to address the risks of material misstatement. The audit procedures are selected and applied as determined by the independent auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for audit opinion.
- In making those risk assessments, the independent auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of going concern and, based on the audit evidence obtained, whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty, the independent auditor is required to draw attention in its report to the notes to the consolidated financial statements or, if the notes pertaining to the significant uncertainty are inadequate, issue a modified opinion on the consolidated financial statements. While the conclusions of the independent auditor are based on the audit evidence obtained up to the date of its audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the overall presentation, structure, and content of the consolidated financial statements, including related notes, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. The independent auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements. The independent auditor is solely responsible for its audit opinion.

The independent auditor reports to Auditors and the Board of Auditors regarding the scope and timing of implementation of the planned audit, significant audit findings, including any significant deficiencies in internal control identified during the audit, and other matters required under the auditing standards.

The independent auditor also reports to Auditors and the Board of Auditors regarding its observance of provisions relevant to professional ethics in Japan, and matters that may reasonably be thought to bear on its independence, and where applicable, related countermeasures in order to eliminate obstruction factors or related safeguards in order to reduce obstruction factors to an acceptable level.

From the matters communicated with the Auditors and the Board of Auditors, the independent auditor determines those matters that were of most significance in the audit of the consolidated financial statements of the current fiscal year and are therefore the key audit matters. The independent auditor describes these matters in its auditor's reports unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the independent auditor determines that a matter should not be communicated in its report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Internal Control Audit

Opinion

We also have audited the accompanying internal control report of KROSAKI HARIMA CORPORATION as at March 31, 2024, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.
In our opinion, the internal control report, in which KROSAKI HARIMA CORPORATION states that internal control over financial reporting was effective as at March 31, 2024, presents fairly, in all material respects, the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Independent Auditor's Responsibility for the Audit of Internal Control section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and we have fulfilled our other ethical responsibilities as an independent auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Auditors and the Board of Auditors for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.
Auditors and the Board of Auditors are responsible for overseeing and examining the design and operation of internal control over financial reporting.
Internal control over financial reporting may not completely prevent or detect misstatements in financial reporting.

Independent Auditor's Responsibility for the Internal Control Audit

Independent auditor's responsibility is to obtain reasonable assurance about whether the internal control report is free from material misstatement, whether due to fraud or error, and to express an opinion on the internal control report from an independent standpoint in an audit report on internal control.
In accordance with audit standards for internal control over financial reporting generally accepted in Japan, the independent auditor exercises professional judgment in the audit process and performs the following while maintaining professional skepticism:

- Perform audit procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and applied as determined by the independent auditor based on the significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the scope, procedures, and results of the assessments of internal control over financial reporting that management presents.
- Obtain sufficient and appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The independent auditor is responsible for instructing, supervising and implementing the audit of the internal control report. The independent auditor is solely responsible for its audit opinion.

The independent auditor reports to Auditors and the Board of Auditors regarding the scope and timing of implementation of the planned audit of internal control, the results of internal control audits, any

significant deficiencies in internal control that were identified and should be disclosed, the results of corrections and other matters required under the auditing standards for internal control.
The independent auditor also reports to Auditors and the Board of Auditors regarding its observance of provisions relevant to professional ethics in Japan, and matters that may reasonably be thought to bear on its independence, and where applicable, related countermeasures in order to eliminate obstruction factors or related safeguards in order to reduce obstruction factors to an acceptable level.

Fee-related Information
Fees paid or payable to our firm and network firms for audit attestation and non-audit services provided to the Company and its consolidated subsidiaries for the current fiscal year are stated in "(3) Status of Audits," which is included in "IV. Information on the Filing Company, 4. Corporate Governance."

Other Matter

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the reader of audit report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

Independent Auditor's Report on the Financial Statements

June 26, 2024

To the Board of Directors of KROSAKI HARIMA CORPORATION.

KPMG AZSA LLC
Fukuoka Office

Yoshinao Abe (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takahiro Toyama (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Financial Statement Audit

Opinion

We have audited the accompanying financial statements of KROSAKI HARIMA CORPORATION provided in the "Financial Information" section in the company's Annual Securities Report, which comprise the balance sheets as at March 31, 2024, and the statement of income and statement of changes in net assets for the year then ended, and a summary of significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.
In our opinion, the financial statements present fairly, in all material respects, the financial position of KROSAKI HARIMA CORPORATION as at March 31, 2024, and their financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Independent Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with provisions related to professional ethics in Japan, and we have fulfilled our other ethical responsibilities as an independent auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Existence of net sales of the Refractories business and the appropriateness of period attribution	
Key audit matter description and reasons for selection thereof	How the key audit matter was addressed in the audit
The ¥107,349 million in net sales recorded in the Non-consolidated Statement of Income for the current fiscal year is primarily from the Refractories business. As stated in "[Notes] (Significant accounting policies), (3) Accounting policies for revenue and expenses," in the sales of merchandise and finished goods in the Refractories business, revenue is recognized mainly when these finished goods and merchandise are delivered. However, for transactions in which control of finished goods and merchandise is transferred to customers when they are delivered, revenue is recognized at shipment in accordance with Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" In addition, for some finished goods and merchandise that require a certain period from delivery to inspection and acceptance by the customer, revenue is recognized when inspection and acceptance are completed by the customer. Revenue is an important indicator for both management and the users of non-consolidated financial statements. Furthermore, as KROSAKI HARIMA CORPORATION releases business performance forecasts, the net sales of the Refractories business, which make up the greater part of total net sales carry the inherent risk of reporting fictitious net sales or attributing net sales to inappropriate accounting periods to achieve the budget, and consequently, the audits thereof require particular attention. Based on the above, we have determined that the existence of net sales of the Refractories business and the appropriateness of period attribution are of particular importance in the audit of the consolidated financial statements for the current fiscal year and constitute a key audit matter.	Our audit procedures related to the existence of net sales of the Refractories business and the appropriateness of period attribution included the following, among others. (1) Assessment of internal controls We assessed the design and operating effectiveness of internal controls relating to the recognition process of net sales from the Refractories business. (2) Examination of the existence of net sales of the Refractories business and the appropriateness of period attribution ・We verified the reasonableness of transactions input directly into the accounting system through journal entries, without going through the sales system. ・We confirmed whether there were any large negative amounts reported under net sales after the closing date. ・Among the net sales for a given period before the closing date, we identified sales transactions, which we deemed to be important and compared the dates on which net sales were reported against the dates on the receipts and other documents obtained from the shipping companies.

Other Information

The other information comprises information contained in the Annual Securities Report other than the consolidated financial statements, the financial statements, and audit reports on them. Management is responsible for the preparation and disclosure of the other information. Auditors and the Board of Auditors are responsible for monitoring the execution of the duties of Directors related to designing and operating the reporting process of the other information.
Our opinion on the financial statements does not cover the other information, and we do not express an audit opinion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of Management and Auditors and the Board of Auditors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements in accordance with the premise of going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.
Auditors and the Board of Auditors are responsible for overseeing the Directors' performance of their duties related to designing and operating the financial reporting process.

Independent Auditor's Responsibility for the Audit of the Financial Statements

The independent auditor's responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements from an independent standpoint in an audit report based on the audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the financial statements.
In accordance with auditing standards generally accepted in Japan, the independent auditor exercises professional judgment in the audit process and performs the following while maintaining professional skepticism:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and perform audit procedures to address the risks of material misstatement. The audit procedures are selected and applied as determined by the independent auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for audit opinion.
- In making those risk assessments, the independent auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements on the premise of going concern and, based on the audit evidence obtained, whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty, the independent auditor is required to draw attention in its report to the notes to the financial statements or, if the notes pertaining to the significant uncertainty are inadequate, issue a modified opinion on the financial statements. While the conclusions of the independent auditor are based on the audit evidence obtained up to the date of its audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation and notes to the financial statements are in accordance with accounting principles generally accepted in Japan, assess the overall presentation, structure, and content of the financial statements, including related notes, and whether the financial statements fairly present the underlying transactions and accounting events.

The independent auditor reports to Auditors and the Board of Auditors regarding the scope and timing of implementation of the planned audit, significant audit findings, including any significant deficiencies in internal control identified during the audit, and other matters required under the auditing standards.
The independent auditor also reports to Auditors and the Board of Auditors regarding its observance of

provisions relevant to professional ethics in Japan, and matters that may reasonably be thought to bear on its independence, and where applicable, related countermeasures in order to eliminate obstruction factors or related safeguards in order to reduce obstruction factors to an acceptable level.
From the matters communicated with the Auditors and the Board of Auditors, the independent auditor determines those matters that were of most significance in the audit of the financial statements of the current fiscal year and are therefore the key audit matters. The independent auditor describes these matters in its auditor's reports unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the independent auditor determines that a matter should not be communicated in its report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information
Fee-related information is stated in the Audit Report of the Consolidated Financial Statements.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the reader of audit report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.